

SUBCOMMITTEE NO. 2

Agenda

Alan Lowenthal, Chair
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Tuesday, May 22, 2007
10:00 a.m.
Room 112

Agenda Part II

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Vote-Only Calendar

0540 Secretary for Resources

1. Reappropriation: Proposition 12 Support Specified Project Funds

Background. In 2002, the Legislature appropriated Proposition 12 funds for the Folsom Powerhouse State Park. The project will build a visitor center for Folsom Powerhouse State Historic Park, which includes public visitor space and space for storage and workspace. The project was behind schedule because of a delay in completing California Environmental Quality Act documents and in vetting a scope change through the Department of Finance. The project is now nearly complete and should be finished by the end of summer.

May Revise. The Governor's May Revise Budget proposes to reappropriate \$1,886,800 in Proposition 12 funds for the Folsom Powerhouse State Park project through June 30, 2009.

Staff Recommendation. State recommends that the Subcommittee approve the May Revise proposal.

2. Urban Streams Extension of Liquidation Request

Background. The Urban Streams Restoration Program (USRP) is a statewide program, implemented on the local level. The USRP aims to improve the reliability of water supplies and provide protection for fish and wildlife by improving in-stream and riparian habitat. Since 1989, the USRP has provided over \$30 million to 254 projects.

Proposition 40 was passed by voters in 2002 and provided \$5 million for the USRP. The Resources Agency entered into an interagency agreement with the Department of Water Resources to select and encumber funding for urban stream restoration projects. In 2005, the Department of Water Resources awarded 17 grants to communities statewide.

Local contracting delays and the seasonal nature of implementing stream restoration projects have made it unfeasible for 11 of the 17 grantees to complete all work on their projects by June 2007.

May Revise. The Governor's May Revise Budget proposes a liquidation extension for \$1.2 million in Proposition 40 grant funding for the Urban Streams Restoration Program.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

3340 California Conservation Corps

3. Fresno Local Corps reappropriation

Project. The Fresno Local Conservation Corps received local assistance funds for the construction of a recreational center. The construction of the center has been delayed.

Proposed Language:

3340-490—Reappropriation, California Conservation Corps. The balance of the appropriation provided for in the following citations, or the amount specified, is reappropriated for the purposes provided for in the appropriations and shall be available for encumbrance or expenditure until June 30, 2008.

0055—Safe Neighborhood Parks, Clean Water, Clean Air, and Coastal Protection Bond Fund

- (1) Item 3340-101-0005, Budget Act of 2004 (Ch. 208, Stats. 2004), as reappropriated by Item 3340—491, Budget Act of 2005 (Chs. 38 and 39, Stats. 2005), as reappropriated by Item 3340-401, Budget Act of 2006 (Chs. 47 and 48, Stats. 2006), for local assistance to local conservation corps. Of that amount, \$384,000 shall be for the Fresno Local Corps for the construction of a recreation building with a neighborhood youth center.

Staff Recommendation. Staff recommends that the Subcommittee approve the reappropriation.

3540 Department of Forestry and Fire Protection

4. CAD Lifecycle Maintenance and Support

Background. In 2002, the Legislature funded the Computer Aided Dispatch (CAD) system for the Department of Forestry and Fire Protection (CDF). The CAD system cut the average dispatch time from five minutes per call to 45 seconds per call. The current CAD maintenance and support contract with Northrop Grumman Information Technology, Inc. expired on March 26, 2007. Support funding for the system will expire on July 1, 2007.

Finance Letter. The April Finance Letter proposes \$6,678,000 from the State Emergency Telephone Number Account (of this amount, \$2,293,000 would be on-going). The funds would be used for:

- Equipment Purchase – \$1,707,000 (no on-going costs)
- Software Licenses and Computer Hardware – \$969,000 (\$145,000 on-going)
- Consulting and Professional Services – \$3,894,000 (\$2,040,000 on-going)
- Staff Overtime and Benefits – \$108,000 (\$108,000 on-going)

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

5. Southern California Fuel Management and Fire Recovery

Background. The 1990, 1995, and 2002 Farm Bills provided the Department of Forestry and Fire Protection (CDF) with grants to facilitate removal of dead trees, facilitate forest health treatments, and rehabilitate and restore forested landscapes. CDF received a \$9.8 million grant from the United States Forest Service for treatment of fuels in Southern California and restoration of forested landscapes. Approximately \$4.9 million of this amount remains unencumbered, and the United States Forest Service has indicated intent to extend the grant through December 31, 2009.

The proposed area for dead tree removal and forest management covers approximately 85,500 acres in Southern California. This area has been greatly impacted by the bark beetle, which has caused wide-spread tree death, especially in conifers.

Match Requirement. The United States Forest Service grant requires a match, which would come from existing CDF funding and from in-kind contributions from Southern California Edison.

Finance Letter. The April Finance Letter proposes spending authority for \$3,529,000 from the Federal Trust Fund for 2007-08, and additional authority of \$1.1 million for 2008-09. The total request is:

- 2007-08: \$3,529,000 for 19 positions
- 2008-09: \$1,124,000 for 9.5 positions
- 2009-10: \$247,000 for 6 positions

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

6. Schedule A – Half Moon Bay Fire Protection District

Background. The California Department of Forestry and Fire Protection (CDF) enters into cooperative fire protection agreements with cities, counties, and fire districts to promote more efficient fire prevention and fire fighting efforts. Schedule A agreements are when the city, county, or fire district reimburses the state for fire fighting services rendered.

Half Moon Bay Schedule A Agreement. CDF signed a Schedule A agreement with Half Moon Bay Fire Protection District in March 2007. This is a new agreement, and was reviewed by the Director of CDF who determined that it is consistent with all appropriate statute and policy pertaining to local government cooperative fire protection agreements. The agreement is for 36 positions and on-going annual reimbursement authority of \$5,472,000 related to providing fire

protection services to the Half Moon Bay Fire Protection District. The Legislature would have to adjust the amount of reimbursement allowed if the services rendered exceed the amount of allowable reimbursement.

May Revise. The Governor's May Revise Budget proposes \$5,472,000 in reimbursement authority and 36 new positions for the Half Moon Bay Schedule A agreement.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

7. Additional FLSA Overtime Payment

Background. The Department of Forestry and Fire Protection (CDF) employee compensation contract runs on a 28-day cycle, rather than the month-to-month payment schedule most other state employees' contracts specify. During a usual year, the CDF has 13 pay periods. However, due to its shorter pay cycle, a portion of the CDF pay period will fall between the two fiscal years. Thus, CDF will need additional salary compensation scheduled into the 2007-08 Budget.

May Revise. The Governor's May Revise Budget proposes \$14,651,000 from various funds (\$9,678,000 General Fund) to cover overtime payments.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

8. Minimum Wage Increase for Base Budget Firefighter I

Background. Chapter 230, Statutes of 2006, raises the minimum wage for Firefighter I from \$7.50/hour to \$8.00/hour. This raise impacts the Bargaining Unit 8 (BU 8) contract. There are about 1,060 Firefighter Is under the BU 8 contract.

May Revise. The Governor's May Revise Budget proposes \$1,775,500 from General Fund in 2007-08, and \$3,551,000 thereafter for increasing the minimum wage of the Firefighter I classification.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

3600 Department of Fish and Game

9. Administration Augmentation

Background. The Department of Fish and Game received 139 permanent positions as part of the *2006-07 Budget Act*. However, these positions did not include support staff.

Governor's Budget. The Governor's Budget proposes 12 new positions for administrative support for \$1,614,000. The budget does not specify what fund would pay for these positions. These positions would be:

- Business and Contracts Management Branch – 3 new positions
- Human Resources Branch – 3 new positions
- Accounting Services Branch – 3 new positions
- Budget Branch – 1 new position
- Information Technology – 2 new positions

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

10. Capital Outlay Project Planning

Proposal. The proposal is for capital outlay studies and budget cost estimates. Capital outlay requires various types of project planning and development costs. The state generally pays for the development of future capital outlay proposals for departments with a large amount of capital outlay projects. (For example, the Department of Forestry and Fire Protection and the Department of Corrections each receive in excess of \$1 million a year for this purpose). Capital outlay planning is widely accepted as a reasonable way to scope out a project and develop cost estimates prior to undertaking the actual project.

Governor's Budget. The Governor's Budget proposes \$160,000 for capital outlay studies. Of this amount, \$60,000 would come from the Fish and Game Preservation Fund and \$100,000 would come from reimbursements.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

11. Trout Restoration Capital Outlay Projects

Background. AB 7 (Cogdill, 2004) requires the Department of Fish and Game (DFG) to use the funds in the Hatchery and Inland Fisheries Fund for the management, maintenance, and capital improvement of California's fish hatcheries, the Heritage and Wild Trout Program, and related enforcement activities. AB 7 also requires DFG to increase native California trout restoration by 15 percent by 2009, and by 25 percent by 2011.

Pending Court Case. In May 2007, the Sacramento Superior Court found that introduction of non-native rainbow trout to California's lakes and streams harms native fish and amphibians. The Court ordered DFG to conduct an environmental impact assessment of the rainbow trout stocking program.

Governor's Budget. The Governor's Budget proposes multiple capital outlay projects aimed at increasing fish hatchery capacity to meet the requirements of AB 7. The total amount requested for the projects is \$1,747,000 from the Hatchery and Inland Fisheries Fund. The following projects are in the Governor's Budget and address stocking of heritage and native trout only:

- **Fish Springs New Well** – \$850,000 from the Hatchery and Inland Fisheries Fund for preliminary plans, working drawings, and construction. The project would provide the hatchery with a new well and seal an old, low producing well.
- **Fish Springs Hatchery New Building** – \$360,000 from the Hatchery and Inland Fisheries Fund for a new hatchery building to allow for increased fish production from 300,000 pounds to 600,000 pounds. The requested amount would pay for all phases of the project.
- **Mojave River Fish Hatchery Building** – \$200,000 from the Hatchery and Inland Fisheries Fund for a two-compartment prefab metal building to house the oxygen generators for fish production on one side while providing a hazardous material storage area on the other side. The requested amount would pay for all phases of the project.
- **Mount Shasta Fish Hatchery Feed Bin Stairway and Catwalk** – \$50,000 from the Hatchery and Inland Fisheries Fund for a stairway and catwalk to connect four fish bins to provide employees safer access to inspect the bins and feed the fish. The requested amount would pay for all phases of the project.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals.

12. San Joaquin Hatchery Capital Outlay Improvements

Governor's Budget. The Governor's Budget proposes two improvements at the San Joaquin Hatchery for \$425,000 from the Hatchery and Inland Fisheries Fund. These projects are:

- **Public Restrooms** – \$125,000 from the Hatchery and Inland Fisheries Fund for a new public restroom at the San Joaquin Hatchery, including men's and women's restrooms, water, electrical, and septic installation. The requested amount would pay for all phases of the project.
- **Domestic Water Building** – \$300,000 from the Hatchery and Inland Fisheries Fund for a new 15 foot by 35 foot building, which will enclose the pumps and domestic water system, upgrade to more efficient pumps, and replace the 20,000-gallon water holding tank. The requested amount would pay for all phases of the project.

Staff Analysis. The Hatchery and Inland Fisheries Fund can be used for "management, maintenance, and capital improvement of California's fish hatcheries." Therefore, staff finds that

the proposed capital outlay improvements, while not increasing fish production, are an allowable use of the fund.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposals.

13. Gray Lodge Wildlife Area: Field 93 Water Conveyance and Restoration Capital Outlay Project

Background. The Gray Lodge Wildlife Area covers over 9,000 acres. Within the wildlife area, Field 93 is a former rice field that is currently managed as irrigated pasture and seasonal wetland habitat. Field 93 is a perennial produces of mosquitoes and annual abatement fees for this 640 acre area range from \$4,000 to \$6,000.

Project. The proposed project would improve Field 93 in the following ways:

- Demolish and remove all rice checks and associated infrastructure
- Improve the primary delivery canal (Cassidy Canal)
- Restore a permanent wetland and install water control structures to flood seasonal wetlands and pastures
- Construct a drainage canal along the northern border of Field 93 to allow independent drainage for seasonal wetlands and pastures

Governor's Budget. The Governor's Budget proposes \$270,000 from reimbursements to restore 640 acres of wetland and upland habitat in Field 93 at Gray Lodge Wildlife Area.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

14. Tehama Wildlife Area Campground Capital Outlay Improvement

Project. The Tehama Wildlife Area was constructed in the early 1970s and contains two campgrounds with 19 campsites and restroom facilities. This project would remove the existing restroom facilities and replace them with two Americans with Disabilities Act (ADA) compliant vault style restrooms, upgrade two campsites to ADA compliant sites, and replace four concrete picnic tables.

Governor's Budget. The Governor's Budget proposes \$200,000 in reimbursements for the Tehama campground improvement project.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

15. Volta Wildlife Area Water Control Capital Outlay

Project. The Volta Wildlife Area is located in Merced County. The area contains wetlands, which provide habitat for migratory and resident waterfowl, shorebirds, and wading birds. The proposed project would install 36 water control structures and associated pipes at the wildlife area. The existing structures and corrugated metal pipes will be removed and upgraded with longer lasting and more efficient concrete weirs and polyethylene pipe.

Governor's Budget. The Governor's Budget proposes \$120,000 in reimbursements for the Volta Wildlife Area water control structure installation.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

3640 Wildlife Conservation Board

16. Habitat Conservation Fund Transfer

Background. In 1990, the voters passed the California Wildlife Protection Act of 1990. The Act requires that each year \$30 million be transferred to the Habitat Conservation Fund from the General Fund, or other specified funds. The specified funds include ten percent of the Cigarette and Tobacco Products Surtax Fund (CTPS). With the revised revenue figures, the CTPS is lower than projected for 2007-08.

May Revise. The Governor's May Revise Budget proposes to fix a technical error that left out of the budget bill a \$5 million Proposition 50 funding transfer that was reflected in the Governor's Budget. Also, the CTPS shortfall is proposed to be covered with \$150,000 in Proposition 50 funding.

The total \$30 million transfer to the Habitat Conservation Fund would be as follows:

- \$8,311,000 from the CTPS
- \$5,150,000 from Proposition 50, continuous appropriation
- \$590,000 from Proposition 50
- \$15,949,000 from General Fund

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

17. Reappropriation – Capital Outlay

Background. The Wildlife Conservation Board administers all land acquisitions for the San Joaquin River Conservancy. The San Joaquin River Conservancy received Proposition 40 and

reimbursement funds in 2004-05 for capital outlay. The San Joaquin River Conservancy is negotiating with willing sellers for approximately 1,000 acres, but complications such as pollution, tenant relocation, and land price disputes have slowed down the process.

The San Joaquin River Conservancy indicates that, by August 2007, it should be able to encumber approximately \$6.3 million of the requested reappropriation. The San Joaquin River Conservancy has another \$9 million in potential land acquisitions that it is negotiating. However, those deals may take as long as three years to finalize.

Finance Letter. The April Finance Letter proposes reappropriation of \$11 million in Proposition 40 bond funds and \$1 million in reimbursements for land acquisition.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

18. Temporary Help Blanket – Increase in Position Authority

Background. The Wildlife Conservation Board currently has a permanent staff of 23.4 positions and a temporary help authority of 0.4 positions. The Wildlife Conservation Board reports that the number of temporary help positions is limiting when permanent employees leave.

Finance Letter. The April Finance Letter proposes to increase temporary help authority by 1.6 positions. No new funds are requested. The positions would be paid for with redirected funds.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

3790 Department of Parks and Recreation

19. Funding for the Museum of Tolerance

Background. The Museum of Tolerance is located in the Simon Wiesenthal Center in Los Angeles. The Museum was founded in 1993 and challenges visitors to confront bigotry and racism and to understand the Holocaust. The Museum hosts approximately 350,000 visitors annually. Programs offered by the Museum include Tools for Tolerance, Tools for Tolerance for Teens, Teaching Steps to Tolerance, Task Force Against Hate, and the National Institute Against Hate Crimes.

Governor's Budget. The Governor's Budget proposes \$5 million General Fund for an expansion of the Museum of Tolerance. The expansion would create 10,000 square feet Inter-

Dependence Culture Center in the Museum. The new Center will consist of open space, a gift shop, lobby area, café, storage area and indoor assembly area.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

20. Replacement of Mission Critical Public Safety Dispatch System

Background. The Department of Parks and Recreation provides public safety dispatch through three centers located throughout the state. These communication centers dispatch 24 hours a day, 365 days a year providing support and communication to both State Park Peace Officers and Department of Fish and Game Peace Officers responding to crimes, rescues, injuries, accidents, first aid, lost persons, environmental hazards, and emergencies.

Current System. The current Computer Aided Dispatch (CAD) system was developed in 1993. The system operates on a Microsoft FoxPro platform, which runs on Microsoft Windows 98. The FoxPro platform is no longer supported by Microsoft, meaning any breakdowns must be fixed internally and no updates are available.

Feasibility Study. The Department of Parks and Recreation completed a feasibility study on the CAD system, which was reviewed by the Office of Technology Review, Oversight, and Security. The feasibility study recommended the purchase of a new, commercially available CAD.

Total System Cost. Total project will cost \$10.9 million. The annual on-going costs would be \$1.87 million, of which \$1 million would be General Fund. The funding would be provided over four years from the following sources:

- Redirections – \$2.18 million
- OHVTF – \$1.69 million
- General Fund – \$7.07 million

Finance Letter. The April Finance letter proposes \$25,000 from the Off-Highway Vehicle Fund for the first year of the new public safety dispatch system's development. An additional \$513,000 would be redirected from existing IT funds.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal. The approval of the proposal does not mean approval of the entire project cost as proposed, of approval or the on-going maintenance costs.

3810 Santa Monica Mountains Conservancy

21. In-Lieu Fee Mitigation Program

Background. In 2000, the Santa Monica Mountains Conservancy (SMMC) and the United States Army Corps of Engineers (Corps) entered into an Agreement for Establishment and Administration of the Los Angeles County Aquatic Resource In-Lieu Fee Mitigation Program (Program). The Program is intended to provide a voluntary, alternative compensatory mitigation option that will result in better designed and managed aquatic resource restoration projects.

In 2004, the Department of Transportation implemented an emergency maintenance project on State Route 118, near Alamos Canyon Road in Ventura County. The maintenance project consisted of sediment removal from a stream culvert, and resulted in permanent impacts to the waters. The Department of Transportation has obtained an after-the-fact nationwide permit, allowing the Department of Transportation to mitigate the maintenance project's impacts through a payment of \$915,980 to the In-Lieu Fee Program Fund.

The SMMC would use the funds for wetland and riparian related projects in Brown's Canyon, an unincorporated portion of Los Angeles County outside the City of Chatsworth. The project will repair approximately seven acres.

May Revise. The Governor's May Revise Budget proposes \$916,000 from the Santa Monica Mountains Conservancy Fund for the In-Lieu Fee Mitigation Program. The monies would be paid into the fund by the Department of Transportation.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

22. Proposition 40 Funding for Capital Outlay and Grants

Background. Proposition 40 allocated \$40 million to the Santa Monica Mountains Conservancy (SMMC). These funds were appropriated to SMMC in prior budget acts, but \$118,000 of the amount appropriated was reverted.

The SMMC plans to acquire and develop Santa Monica Mountains and Rim of the Valley Trail Corridor properties consistent with the SMMC comprehensive plan. The land that would be acquired is estimated to cost about \$10,000 per acre.

May Revise. The Governor's May Revise Budget proposes \$118,000 in Proposition 40 funds for land, air, and water conservation projects in the Santa Monica Area.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

3825 San Gabriel and Lower Los Angeles Rivers and Mountains Conservancy

23. Add 0.5 Positions

Background. The conservancy currently manages over 120 grant contracts annually. Several years ago, the conservancy lost 0.5 PY due to budget cuts across state government.

In 2003-04, \$172,000 was reverted from the conservancy's operating expenses and equipment budget since the conservancy had not expended the funds.

Governor's Budget. The Governor's Budget proposes \$222,000 in Proposition 40 and Proposition 50 funds for 0.5 position and operating expenses and equipment.

Of the amount requested, \$40,000 is for the 0.5 PY and the remaining \$182,000 are for operating expenses and equipment within the conservancy unrelated to the position.

Staff Recommendation. Staff recommends the Subcommittee approve as budgeted.

3835 Baldwin Hills Conservancy

24. Reappropriation of Proposition 40 Funds

Background. In 2002, the Baldwin Hills Conservancy received \$15 million in Proposition 40 funds. These funds were for the Eastern Ridgeline Development Projects, which included construction of picnic areas, a comfort station, parking areas, and habitat restoration. The project has been contracted out to the Los Angeles County Department of Parks and Recreation. On February 21, 2007, Los Angeles County informed the Baldwin Hills Conservancy that an environmental impact review addendum would be necessary. The environmental review requirements will delay the project by about six months.

May Revise. The Governor's May Revise Budget proposes reappropriation of the \$15 million in Proposition 40 funds.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

3860 Department of Water Resources

25. San Joaquin River Restoration Program – Proposition 13

Background. In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to “restore and maintain fish populations” in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Governor’s Budget. The Governor’s Budget proposes \$1,323,000 in Proposition 13 bond funds over three years to supplement the implementation of the San Joaquin River restoration.

The funding will be used specifically for contracts and equipment to participate in investigating, developing, and implementing channel modifications intended to increase the likelihood of anadromous fish restoration in the San Joaquin River below Friant Dam. These requested funds are intended to supplement the actions in the Settlement Agreement between NRDC and FWUA.

The Governor’s Budget also proposes a reversion of \$2,163,000 in Proposition 13 local assistance funds. The funds proposed for reversion were provided by the Department of Water Resources for the San Joaquin River Restoration program, but the Department of Water Resources subsequently terminated the agreement.

The difference between this item and item #16 above is that the funds requested here are for grants to non-governmental agencies. The funds requested here would be used to fund Restoration Administrator and Technical Advisory Committee members through a grant to the Resources Legacy Fund.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

26. Yuba Feather Flood Protection Program – Extension of Liquidation

Background. The Department of Water Resources has several grant agreements with the Yuba County Water Agency and the Colusa Basin Drainage District for feasibility studies and design grants. The four feasibility studies are almost complete, but final payments and release of retained funds have not been made. The design grant agreement is for the Yuba County Water Agency to design a tailwater depression system for New Colgate Powerhouse. The term and scope of work referenced in the grant agreements has led to a discussion as to how and for what expenses the state can reimburse the grantees.

May Revise. The Governor's May Revise Budget proposes an extension of liquidation until June 30, 2009, of the \$11,113,000 in grants from the Yuba Feather Flood Protection Subaccount.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

27. Snowmelt Runoff Forecasting Program

Background. The Snowmelt Runoff Forecasting Program is aimed to improve reservoir operation and emergency management decision-making during major floods, as well as improve crucial water supply forecasting. As part of the program, Department of Water Resources staff collect streamflow, snowpack, precipitation, temperature, and reservoirs data for snowmelt runoff forecasts.

May Revise. The Governor's May Revise Budget proposes to shift \$640,000 in General Fund from Program 10.30, where the Governor's Budget incorrectly placed the funds, to Program 30.10.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

28. Salton Sea

Background. California's interstate apportionment of Colorado River water is limited to 4.4 million acre-feet during normal hydrologic years. However, California has typically used about 800,000 acre-feet more than the State's annual apportionment. Due to increasing demands for water in Arizona and Nevada, the federal government has directed California to reduce use of Colorado River water to its "normal apportionment."

The Quantitative Settlement Agreement (QSA) was adopted in 2003 by the Imperial Irrigation District, San Diego County Water Authority, Metropolitan Water District of Southern California, and Coachella Valley Water District. The legislation implementing the QSA also contained provisions to restore the Salton Sea.

Project. The Department of Water Resources entered into an agreement with the Wildlife Conservation Board to conduct studies, develop restoration plans, and prepare environmental documentation for the restoration of the Salton Sea ecosystem. Due to inclusion of additional tasks, the term of the agreement was extended through December 2007 with no additional cost.

May Revise. The Governor's May Revise Budget proposes \$2.5 million in reimbursement authority to continue development of habitat restoration plans and related environmental documentation for the Salton Sea. The reimbursement will come from the Wildlife Conservation Board's Proposition 50 bond funds.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

29. Salton Sea Interim Restoration and Management

Background. The Department of Water Resources is working with the Department of Fish and Game on a Programmatic Environmental Implementation, which will recommend to the Legislature a preferred alternative for the Salton Sea Restoration. However, the implementation of the preferred alternative would not result in restored habitat for at least ten years due to the need to prepare project-specific environmental documentation, obtain permits, acquire property, project construction, and other requirements. In the meanwhile, the Department of Water Resources intends to provide interim environmental measures.

Project. The interim measures that the Department of Water Resources intends to undertake include habitat restoration, land access, air quality mitigation, public outreach, and monitoring and adaptive management.

Finance Letter. The April Finance Letter proposes \$10 million in reimbursement authority over five years for five new positions and 3.2 existing positions to undertake implementation of interim habitat to preserve wildlife while the long-term plan is under development.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

30. Critical Support for Pelagic Fish Action Plan

Project. The Department of Water Resources is requesting additional positions to work on the Pelagic Organism Decline Action Plan. These positions would be responsible for carrying out various environmental actions, such as investigations, scientific analysis, mitigation, monitoring, and restoration programs. State and federal statutes require protection of species of concern, which includes some pelagic fish in the Delta. Any new recommendations would be scientifically evaluated and peer-reviewed through existing CALFED and Interagency Ecological Program processes.

Finance Letter. The April Finance Letter proposes three new positions to be funded with State Water Project Funds. The positions would work on environmental actions required under law to protect species of concern. The State Water Project is off-budget.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

3910 California Integrated Waste Management Board

31. Increase Household Hazardous Waste Grant Appropriation to Include Universal Waste Information and Collection Infrastructure Enhancements

Background. Household Hazardous Waste (HHW) includes such items as batteries, mercury thermostats, fluorescent lights, and electronic devices. HHW is not supposed to be disposed of in the regular waste disposal bins.

There are 109 permanent HHW facilities and 120 recycle-only universal waste and HHW facilities in the state. To contrast, there are 2,800 facilities that collect and recycle oil. Approximately 80 percent of used oil is recycled, while about five percent of the HHW generated in the state is collected at facilities intended to receive HHW.

The HHW grant program provides local governments with grants to develop or expand their HHW facilities. The average grant is \$59,200. The requested increase in funds would fund an additional eight grants.

Governor's Budget. The Governor's Budget proposes \$716,000 from the Integrated Waste Management Account for local assistance grants and two permanent positions for the Household Hazardous Waste grant program.

The requested staff would work on the Universal Waste Team, CIWMB information coordination, data collection and infrastructure assessment, stakeholder partnership development, infrastructure development, and publicity and education.

Staff Recommendation. Staff recommends the Subcommittee approve the budget proposal.

8570 Department of Food and Agriculture

32. Light Brown Apple Moth

Background. The Light Brown Apple Moth is native to Australia. It attacks over 250 hosts, including nearly all types of fruit crops, ornamentals, vegetables, and nursery stock. It destroys, stunts, or deforms young seedlings; spoils the appearance of ornamental plants; and injures fruit-tree crops. The larvae will also eat fruit, leaving brown spots and scars onto fruit that create a damaged appearance.

Found in California. In February of 2007, the Light Brown Apple Moth was detected in Alameda County. Since then, over 2,000 male Light Brown Apple Moths have been trapped at 547 sites in eight counties.

It is estimated that in Australia the pest destroys about 1.3 percent of the gross value of crops that it attacks. If this percentage is applied to the 2005 gross value of the same crops in California, the annual impact of the Light Brown Apple Moth on the agricultural industry could be as high as \$133 million.

May Revise. The Governor's May Revise Budget proposes \$2 million from General Fund to address the Light Brown Apple Moth. This funding is a placeholder until the assessment to ascertain the areas effected by the Light Brown Apple Moth and options to eradicate or control this pest is completed in mid-May.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

33. Specialty Crop Innovation Grants

Background. The Specialty Crop Competitiveness Act of 2004 provided \$7 million in one-time funds for states that produce specialty crops to market those crops. Specialty crops are defined as fruits and vegetables, dried fruit, tree nuts, and floriculture/nursery crops. The amount is divided according to the amount of specialty crops a state produces. Of this total, California's share is \$1.3 million.

In September 2006, the United States Department of Agriculture (USDA) published the final rule defining the specialty crop block grant program. The Specialty Crop Innovation Grants are available to qualified non-profit and for-profit organizations, government agencies, and universities. These grants are to perform innovative projects that enhance the competitiveness of specialty crop producers and increase fruit, vegetable, and nut consumption. The California Department of Food and Agriculture will solicit and review proposals for compliance with federal criteria and will submit qualified proposals to the USDA. The USDA will select the projects to be funded.

Governor's Budget. The Governor's Budget included \$1 million from the federal trust fund for the specialty crop innovation grants.

May Revise. The Governor's May Revise Budget proposes to further increase by \$300,000 the federal trust fund allocation for the specialty crop innovation grants, and decrease the General Fund allocation by the same amount.

Staff Recommendation. Staff recommends that the Subcommittee approve the May Revise proposal.

34. Eradication of the Diaprepes Root Weevil

Background. The Diaprepes Root Weevil is native to the Caribbean region and is known to feed on numerous ornamental, native, and commercial plants. The weevil damages plants by chewing away the leaves and its larvae feed on the roots. The department in 2005 identified two outbreaks in residential areas in Newport Beach and Long Beach. Since then the Diaprepes Root Weevil has been found in San Diego County as well. The department indicates that a widespread infestation of this pest would have the greatest economic impact on the citrus, avocado, and ornamental plant industries in California.

Governor's Budget. In 2006-007, the Legislature provided \$3.5 million for two years for the eradication of the Diaprepes Root Weevil. Thus, there is a baseline of \$3.5 million in 2007-08 for this purpose.

Finance Letter. The April Finance Letter proposes an additional \$4,185,000 in General Fund for 46 positions to continue the Diaprepes Root Weevil eradication project. The funding would be for two years and would bring the total funding for this purpose in 2007-08 to \$7,685,000.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

8660 Public Utilities Commission

35. CEQA Reviews

Background. The Public Utilities Commission (PUC) is the state agency designated to review and approve Certificate of Public Necessity and Convenience (CPCN) requests for new transmission lines. California Environmental Quality Act (CEQA) documents are a part of the application process. Historically, there have been one to two projects a year requiring CPCN review. However, for 2007-08, the PUC anticipates it will receive eight CPCN filings. The PUC estimates that each filing will cost approximately \$1.5 million.

The reimbursements come from the utilities filing the applications, which in turn charge their ratepayers the cost of the application review.

The PUC intends to hire environmental consultants to perform environmental analysis and produce environmental documentation of the transmission and infrastructure applications that were filed and that are expected to come before the PUC in the 2006 to 2008 timeframe.

Governor's Budget. The Governor's Budget included \$6,697,000 in reimbursement authority for CEQA reviews.

May Revise. The Governor's May Revise Budget proposes an additional \$3,508,000 in one-time reimbursement authority for the PUC to conduct environmental reviews through the CPCN process.

Staff Recommendation. Staff recommends that the Subcommittee approve the Governor's proposals.

CALFED

36. CDF CALFED Bay-Delta Program Component

Background. In 2006, the California Department of Forestry and Fire Protection entered into a three year interagency agreement with the Resources Agency to provide accounting, personnel transaction, and examination services for the CALFED Bay-Delta Program. The agreement is effective until June 30, 2009.

Governor's Budget. The Governor's Budget proposes \$182,823 in reimbursement authority and 3 positions for the California Department of Forestry and Fire Protection to provide accounting, personnel transaction, and examination services for the CALFED Bay-Delta Program. The reimbursement authority would be from General Fund through the Resources Agency. The funds would be appropriated for three years at \$183,000 a year.

Staff Recommendation. Staff recommends the Subcommittee approve the proposal.

37. CALFED Reimbursements and Federal Trust Fund Increase

Background. The CALFED Science Program focuses on research of water project operations, water quality, ecosystem restoration, and prevention and management of invasive species. The purpose of the CALFED Science Program is to provide a comprehensive framework and develop new information and scientific interpretations necessary to implement, monitor, and evaluate the success of the CALFED program, and to communicate findings to the public and decision-makers.

Finance Letter. The April Finance Letter proposes an increase of \$5,876,000 in reimbursement authority and an increase of \$2,760,000 in Federal Trust Fund for obtaining science information and supporting the development of the Delta Vision effort.

Staff Recommendation. Staff recommends that the Subcommittee approve the Finance Letter proposal.

0540 Secretary for Resources

Governor's Budget. The Governor's Budget proposes \$57 million to support the Secretary for Resources in 2007-08. This is nearly 63 percent less than estimated expenditures in the current year due mainly to a reduction in the Proposition 50 local assistance bond funds available for appropriation.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Administration	\$ 165,272	\$ 73,253	-\$92,019	-55.7
Total	\$ 165,272	\$ 73,253	-\$92,019	-55.7
Funding Source				
General Fund	\$ 5,909	\$ 6,005	\$ 96	1.6
Special Funds	3,478	3,316	-162	-4.7
Bond Funds	148,323	47,714	-100,609	-67.8
<i>Budget Act Total</i>	<i>157,710</i>	<i>57,035</i>	<i>-100,675</i>	<i>-63.8</i>
Federal Trust Fund	5,004	199	-4,805	-96.0
Reimbursements	2,558	16,019	13,461	526.2
Total	\$ 165,272	\$ 73,253	-\$92,019	-55.7

1. Environmental Enhancement and Mitigation Program

Background. The Environmental Enhancement and Mitigation Program (EEMP) funds grants for projects such as hiking and biking trails, landscaping, and the acquisition of park and wildlife areas. The EEMP is administered by the Secretary for Resources, although the program is funded through transportation funds.

The EEMP was initiated by Chapter 106, Statutes of 1989, which provided for annual transfers of \$10 million from the State Highway Account (SHA) to the EEMP Fund for a ten-year period. At the expiration of the ten-year period, the Legislature decided to continue funding at the \$10 million level and current statute cites the intent of the Legislature to allocate \$10 million annually to the EEMP.

Governor's Budget. The Governor's Budget proposed no funding for EEMP, citing higher priorities for the funding.

Legislative Action. Senate Subcommittee No. 4 on March 29, 2007 transferred \$10 million from the State Highway Account to the EEMP Fund and added a \$10 million EEMP appropriation item.

Staff Recommendation. Staff recommends that the Subcommittee provide the Secretary for Resources funding to administer the EEMP, concurrent with Senate Subcommittee No. 4 action to provide funds for the program. Staff recommends the addition of \$125,000 from the Environmental Enhancement and Mitigation Program Fund (fund 0183) for EEMP grant administration.

3540 Department of Forestry and Fire Protection

Background. The California Department of Forestry and Fire Protection (CDF), under the policy direction of the Board of Forestry, provides fire protection services directly or through contracts for timberlands, rangelands, and brushlands owned privately or by state or local agencies. In addition, CDF: (1) regulates timber harvesting on forestland owned privately or by the state and (2) provides a variety of resource management services for owners of forestlands, rangelands, and brushlands.

Governor's Budget. The Governor's Budget provides \$686 million to support CDF in 2007-08. This is approximately \$38 million, or 6 percent, more than the level of expenditures estimated for the current year. The increase is due to increased capital outlay expenditures as well as employee compensation cost increases associated with fire protection. General Fund support for the department is also proposed to increase by approximately 5 percent as a result of increased capital outlay spending.

Summary of Expenditures

<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Office of the State Fire Marshal	\$ 14,383	\$ 15,766	\$ 1,383	9.6
Fire Protection	845,660	851,201	5,541	0.6
Resource Management	56,822	69,017	12,195	21.5
Capital Outlay	8,793	30,954	22,161	252
Administration	66,759	67,006	247	0.4
<i>less distributed administration</i>	<i>-66,129</i>	<i>-66,382</i>	<i>-253</i>	<i>0.4</i>
Total	\$ 926,288	\$ 967,562	\$ 41,274	4.5
Funding Source				
General Fund	\$ 625,768	\$ 654,938	\$ 29,170	4.7
Special Funds	8,337	8,785	448	5.4
Bond Funds	12,947	22,005	9,058	69.9
<i>Budget Act Total</i>	<i>\$ 647,052</i>	<i>\$ 685,728</i>	<i>\$ 38,676</i>	<i>5.9</i>
Federal Trust Fund	29,311	26,258	-3,053	-10.4
Forest Resources Improvement Fund	699	7,802	7,103	1016.1
Timber Tax Fund	31	33	2	6.4
Reimbursements	249,199	247,741	-1,458	-0.6
Totals	\$ 926,292	\$ 967,562	\$ 41,270	4.5

1. Year Round Staffing Report

Staff Recommendation. To continue Legislative oversight of the expanded California Department of Forestry and Fire Protection staff recommends that the Subcommittee request the following report:

On or before January 10, 2006, California Department of Forestry and Fire Protection (CDFFP) shall provide a report to the Legislature (including budget and fiscal committees from both houses) on CDFFP's fire prevention work. The report should include the following:

1. Information on the number of responses in Schedule A or Amador Contract counties and the number of responses in those counties that were paid for by local governments.
2. Information on the number of responses in Schedule A or Amador Contract counties that were actual threats to wildlands.
3. Information on the number of responses in Schedule A or Amador Contract counties that also received responses from local government under a mutual aid agreement. Also, the number of incidents in which CDFFP provided mutual aid to a local government fire department.
4. Information on the number of CDFFP dispatches in Schedule A or Amador Contract counties for which no CDFFP personnel responded.
5. Information on the number of fires in Schedule A or Amador Contract counties for which CDFFP provided structure protection in the State Responsibility Area, and the number of those where reimbursement of costs was received from the Federal government through the Fire Management Assistant Grants or the California Fire Assistance Agreement.

3600 Department of Fish and Game

Background. The Department of Fish and Game (DFG) administers programs and enforces laws pertaining to the fish, wildlife, and natural resources of the state. The Fish and Game Commission sets policies to guide the department in its activities and regulates fishing and hunting. The DFG currently manages about 850,000 acres including ecological reserves, wildlife management areas, hatcheries, and public access areas throughout the state.

Governor's Budget. The Governor's Budget proposes \$315 million to support DFG in the budget year. This is about 19 percent less than estimated expenditures in the current year due to a reduction in General Fund and bond funds available for appropriation. General Fund support for the department is proposed to decrease by 40 percent.

Summary of Expenditures <i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Biodiversity Conservation Program	\$ 302,776	\$ 240,392	-\$62,384	-20.6
Hunting, Fishing, and Public Use	55,413	57,979	2,566	4.6
Management of Lands and Facilities	65,832	56,259	-9,573	-14.5
Conservation Education and Enforcement	52,866	55,336	2,470	4.7
Spill Prevention and Response	32,799	34,137	1,338	4.1
Capital Outlay	1,314	2,922	1,608	122.4
Administration	46,521	40,677	-5,844	-12.6
<i>less distributed administration</i>	<i>-46,512</i>	<i>-40,677</i>	<i>5,835</i>	<i>-12.6</i>
Totals	\$ 511,009	\$ 447,025	-\$63,984	-12.6
Funding Source				
General Fund	\$ 133,078	\$ 78,565	-\$54,513	-40.9
Special Funds	123,416	152,659	29,243	23.7
Bond Funds	133,628	83,996	-49,632	-37.1
<i>Budget Act Total</i>	<i>\$ 390,122</i>	<i>\$315,220</i>	<i>\$-74,902</i>	<i>-19.2</i>
Federal Trust Fund	57,270	57,701	431	0.7
Reimbursements	65,350	69,810	4,460	6.8
Salton Sea Restoration Fund	2,644	2,718	74	2.8
Harbors and Watercraft Revolving Fund	5	5	-	0
Special Deposit Fund	610	1,435	825	135.2
Coastal Wetlands Account	-5,000	136	5,136	-102.7
Total	\$ 511,001	\$ 447,025	-\$63,976	-12.5

1. San Francisco Public Utilities Commission

Background. The San Francisco Public Utilities Commission operates the Hetch Hetchy water project. The Hetch Hetchy supplies water to over 2.4 million people in the San Francisco Bay Area. In 1987, the Secretary of the Interior Donald Hodel proposed the restoration of the Hetch

Hetchy. The San Francisco Public Utilities Commission wants to undertake a study of alternatives for the Hetch Hetchy, from expansion to restoration.

Governor's Budget. The Governor's Budget proposes position authority for one permanent Staff Environmental Scientist position to study, consult, develop, and evaluate environmental mitigation measures for the San Francisco Public Utilities Commission Bay Area Cities Water System Improvements project. This would be a new position.

Staff Analysis. The proposal is very vague as to the actual project that the San Francisco PUC is undertaking. In large construction projects requiring environmental permits, it has been the state's practice to allow the developer to reimburse the state for the cost of reviewing the environmental documents necessary to obtain permits. However, when the state is not the lead agency (as it is not for this project) the state should not prepare the environmental documents because doing so could make the state liable for the potential environmental harm of the project.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal with the following budget bill language:

Funding received from the San Francisco Public Utilities Commission for review and permitting of projects related to the San Francisco Public Utilities Commission Water System Improvement Program shall not be used for preparation of California Environmental Quality Act documents.

2. Coastal Wetlands Management

Background. Management of coastal wetlands includes monitoring the implementation and effectiveness of large-scale planning efforts, restoration plans, wildlife status and trends, pollution enforcement efforts, and the implementation and success of conservation plans. Currently, the Department of Fish and Game, in the South Coast Region, has three positions dedicated to the management of 60,000 acres. Of these lands, approximately 5,100 acres are not receiving any management.

Governor's Budget. The Governor's Budget proposes \$136,000 from the Coastal Wetlands Account for one position to manage and maintain coastal wetlands properties owned or managed by DFG in Southern California.

Previous Subcommittee Action. On March 26, the Subcommittee approved the Governor's budget proposal.

Staff Analysis. Coastal wetlands are of vital ecological and socio-economic significance. Wetlands filter contaminants from waters, store large volumes of water thereby reducing the threat of flooding, and provide nursery services that help ensure the productivity of marine life. Coastal wetland plants also help prevent erosion, stabilizing the shoreline. The tidal, sheltered waters of coastal wetlands support unique ecosystems upon which several endangered species are entirely dependent for their survival.

With their ecological and flood protection benefits, wetlands are also valuable recreational open spaces for highly impacted urban areas and support local tourism and commercial fishing industries. As public spaces, coastal wetlands receive tens of thousands of visitors annually. In many cases, staff has concerns, that coastal wetlands do not have adequate staff to manage California's wetlands to maximize both their ecological and recreational potential.

To fund the wetlands proposal, the state is earning interest from a \$5 million account balance that originated from the General Fund. Considering the needs of coastal wetlands, staff has concerns that \$5 million is not an adequate fund balance to warrant an endowment-style funding mechanism and this investment is applied directly towards coastal wetlands management staff or restoration projects.

Staff Recommendation. Staff recommends that the Subcommittee make the \$5 million one-time funding for maintenance and management activities. The \$5 million would be used for the following positions: one office technician, seven fish and wildlife technicians, one fish habitat supervisor, and one interpreter III. Staff also recommends that the Subcommittee adopt the following language in concept:

It is the intent of the legislature that the Department consult with the California Coastal Conservancy when expending funds from this account on staffing for coastal wetlands.

3. Crystal Lake Fish Hatchery

Project. The project would construct a stairway and catwalk to connect all fish bins to allow employees safer access to inspect the bins and feed the fish. The requested amount would pay for all phases of the project.

Governor's Budget. The Governor's Budget proposes \$287,000 from the Hatchery and Inland Fisheries Fund for the Crystal Lake Fish Hatchery project.

Staff Analysis. Conversations with the Department of Fish and Game on project costs led the department to adjust the project's cost down from \$287,000 to \$75,000. This is a \$212,000 difference in cost.

Staff Recommendation. Staff recommends that the Subcommittee reduce item 3600-301-3103 by \$212,000 to reflect the new cost for the Crystal Lake Fish Hatchery project.

4. Salton Sea Proposition 84 Increase

Background. California's interstate apportionment of Colorado River water is limited to 4.4 million acre-feet during normal hydrologic years. However, California has typically used about 800,000 acre-feet more than the State's annual apportionment. Due to increasing demands for

water in Arizona and Nevada, the federal government has directed California to reduce use of Colorado River water to its “normal apportionment”.

The Quantitative Settlement Agreement (QSA) was adopted in 2003 by the Imperial Irrigation District, San Diego County Water Authority, Metropolitan Water District of Southern California, and Coachella Valley Water District. The legislation implementing the QSA also contained provisions to restore the Salton Sea.

The Salton Sea restoration plan will be presented to the Legislature during the spring/summer of 2007. The five-year plan will include preferred alternatives for Salton Sea restoration.

Staff Proposal. Staff proposes to increase the Department of Fish and Game budget by \$13.3 million in Proposition 84 bond funds for project start up and operations, Early Start Habitat planning, design permitting, environmental documents and funding for other activities. Of this amount, \$7.3 million would be paid as reimbursements to the Department of Water Resources.

Staff Recommendation. Staff recommends that the Subcommittee adopt the staff proposal.

5. Fish and Game Wardens

Staff Analysis. Fish and Game Wardens are an important branch of law enforcement, maintaining security on large amounts of state owned land. Fish and Game Wardens are frequently the only law enforcement entity patrolling remote areas. In this role, the Fish and Game Wardens serve an important role in law enforcement and domestic security.

Staff Proposal. Staff proposes the following trailer bill language:

The Legislature finds and declares that:

1. The wardens of the Department of Fish and Game have an essential role in patrolling coastal waters and inland areas of California that are often not priorities of, or accessible to, other law enforcement personnel.
2. Along the coast and in the ocean, wardens have access to several of the fastest, armed boats on the California coast that are owned by the Department of Fish and Game, and the use of those boats to protect the marine environment should be increased.
3. In inland areas, the regular duties of wardens involve patrolling bridges, canals, lakes, reservoirs, power lines, dams, and other essential infrastructure that could be targets of homeland security threats. Further, the regular duties of wardens take them to the most remote areas of the state. It is vital to increase the presence of wardens in these areas not only to conduct their regular duties, but to provide additional support for purposes of enhancing homeland security and assisting other law enforcement agencies.

Item _____
Department of Fish and Game

The sum of _____ is appropriated to the Department of Fish and Game to supplement the base wages and overtime of game wardens employed or hired by the department. The funds shall be used to the maximum extent practicable as part of the effort to safeguard the California public from natural disasters and acts of terrorism, and to fulfill the existing constitutional and statutory mission of the game wardens who are employed by the Department of Fish and Game.

6. Salmon Regulations

Background. Over the last 10 years, the Legislature has appropriated millions of dollars to restore habitat for salmon, steelhead, and other aquatic species, often with very beneficial results. The *2007-08 Budget Act* contains more than \$11 million from Prop 84 to fund various habitat projects for endangered and threatened salmon and steelhead. Since the Fish and Game Commission listed Coho salmon north of San Francisco as endangered in 2004, regulatory actions have not kept up with expenditures.

A recovery plan for Coho salmon was approved in 2003, following years of strenuous negotiations among landowners, conservationists, tribes, state agencies, and others. The law requires adoption of regulations implementing the Coho listing. However, that effort, which requires the collaboration of the Board of Forestry and the Department of Fish and Game, has never been successful. This approach, which would provide "one-stop permitting" for forest landowners in addition to a higher level of protection for listed salmon species, has proven to be divisive at the Board of Forestry. Various iterations of proposed rules have never been approved despite several attempts. A pending proposal would only affect salmon actually harmed or killed, and would not protect larger habitat values as required by the Recovery Plan.

Fish and Game Salmon Regulations. In contrast to the relatively weak proposal now noticed for consideration by the Board of Forestry, the Department of Fish and Game, in August of last year, proposed regulations that would have applied to all watersheds that currently or historically supported salmon species listed under either the state or federal endangered species act, except for areas blocked by permanent barriers, such as major dams. Protected species that would benefit from the proposed rules include Coho and Chinook salmon, and steelhead trout. These regulations are considered by many to be more consistent with the Coho Recovery Plan. The proposed rule package recognized the ongoing criticism from the National Marine Fisheries Service and the Department of Fish and Game that the current Forest Practice Rules are not adequately protective of listed salmon. Improvements to the rules, applied throughout the range of salmon in California, are expected to provide a starting point for discussions with the Federal government to obtain programmatic incidental take authority for logging activities.

Staff Proposal. Staff proposes the following trailer bill language:

Section 4582.76(a) is added to the Public Resources Code:

THE PEOPLE OF THE STATE OF CALIFORNIA DO ENACT AS FOLLOWS:

SECTION 1. Section 4582.76 is added to the Public Resources Code:

4582.76 (a) On or before January 1, 2008, the board shall adopt regulations, initially as emergency regulations in accordance with subdivision (b), that incorporate standards governing timber harvest practices and provide a single set of comprehensive rules for restoration and protection of other anadromous fish species listed as either "threatened" or "endangered" pursuant to either the federal or California endangered species acts. The regulations shall be consistent with the August 30, 2006, Department of Fish and Game proposal entitled, "Minimization and Mitigation Measures for Timber Operations in Watersheds with Listed Anadromous Salmonids."

(b) The emergency regulations adopted pursuant to subdivision (a) shall be adopted in accordance with the Administrative Procedure Act (Chapter 3.5 (commencing with Section 11340) of Part 1 of Division 3 of Title 2 of the Government Code). The adoption of the emergency regulations shall be deemed to be an emergency and necessary for the immediate preservation of the public peace, health, and safety, or general welfare.

3720 California Coastal Commission

Background. The California Coastal Commission, following its initial creation in 1972 by a voter initiative, was permanently established by the State Coastal Act of 1976. In general, the act seeks to protect the state's natural and scenic resources along California's coast. It also delineates a "coastal zone" running the length of California's coast, extending seaward to the state's territorial limit of three miles, and extending inland a varying width from 1,000 yards to several miles. The commission's primary responsibility is to implement the act's provisions. It is also the state's planning and management agency for the coastal zone. The commission's jurisdiction does not include the San Francisco Bay Area, where development is regulated by the San Francisco Bay Conservation and Development Commission.

Governor's Budget. The Governor's budget proposes a total of \$17 million to support the Coastal Commission in 2007-08. This is approximately the same level as estimated expenditures in the current year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Coastal Management Program	\$ 16,337	\$ 16,090	-\$247	-1.5
Coastal Energy Program	763	860	97	12.7
Administration	1,739	1,751	12	0.7
<i>less distributed administration</i>	-1,658	-1,651	7	-0.4
Total	\$ 17,181	\$ 17,050	-131	-0.8
Funding Source				
General Fund	\$ 11,460	\$ 11,351	-109	-0.9
Special Funds	1,333	1,298	-35	-2.6
<i>Budget Act Total</i>	<i>12,793</i>	<i>12,649</i>	<i>-144</i>	<i>-1.1</i>
Federal Trust Fund	3,052	2,910	-142	-4.6
Reimbursements	1,337	1,491	154	11.5
Total	\$ 17,182	\$ 17,050	-132	-0.8

1. North Coast Enforcement

Background. The Coastal Conservancy was established by the California Coastal Act. The Act's basic goals were to:

- Protect, maintain, enhance, and restore the overall quality of the coastal zone environment and its natural and artificial resources.
- Maximize public access and public recreational opportunities in the coastal zone consistent with sound resources, conservation principles, and constitutionally protected rights of private property owners.
- Assure priority for coastal-dependent and coastal-related development over other development on the coast.

The Coastal Commission issues permits for coastal development, except when a local government has a local coastal plan in place, the local government then issues the permits. However, the local coastal plan does not allow the local government to conduct enforcement of the plan. The Coastal Commission's enforcement program addresses violations of permits and unpermitted development.

Staff Analysis. The Coastal Commission receives reports of violations from private citizens. The number of open cases the Coastal Commission has exceeded 1,000 in 2006. With all these cases, the Coastal Commission only has three enforcement agents and no staff to enforce the Northern California coastline at all.

Staff Recommendation. Staff recommends that the Subcommittee provide \$380,000 General Fund for the Coastal Commission to conduct North Coast enforcement.

3780 Native American Heritage Commission

Background. The Native American Heritage Commission (NAHC) preserves and protects California Native American cultures. The commission's powers and duties include identifying and cataloging important geographic sites, helping Native Americans gain access to these sites, protecting burial and sacred sites, and ensuring that remains are treated appropriately. The commission also works to mitigate the negative impacts of development on the state's Native American cultural resources.

Governor's Budget. The Governor's budget proposes \$775,000 to support the NAHC in 2007-08. This is the same level of expenditures as estimated in the current year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Native American Heritage	\$775	\$775	\$0	0
Total	\$775	\$775	\$0	0
Funding Source				
General Fund	\$770	\$770	\$0	0
<i>Budget Act Total</i>	<i>770</i>	<i>770</i>	<i>0</i>	<i>0</i>
Reimbursements	5	5	0	0
Total	\$775	\$775	\$0	0

1. Implementation of Recent Mandates

Background. Legislation (SB 18) was enacted in 2004 to require that every city and county planning agency consult with California Native American tribes during preparation or amendment of a general plan. Local governments contact the NAHC to help in making the connection between the relevant tribes and local government officials.

Legislation (AB 978) enacted in 2001 establishes a process for repatriating Native American human remains and cultural items that are in the possession of any state or local agency or museum that receives state funds. The legislation also created a Commission to mediate disputes and impose civil penalties.

Implementation Status. Staff understands that the Commission created under AB 978 has been appointed, but that rules and regulations have not been developed and there has been little to no activity by the Commission thus far.

Staff Recommendation. Staff recommends that the Subcommittee augment the Commission's budget by \$200,000 General Fund for two new positions to implement legislative mandates.

3790 Department of Parks and Recreation

Background. The Department of Parks and Recreation (DPR) acquires, develops, and manages the natural, cultural, and recreational resources in the state park system and the off-highway vehicle trail system. In addition, the department administers state and federal grants to local entities that help provide parks and open-space areas throughout the state.

The state park system consists of 277 units, including 31 units administered by local and regional agencies. The system contains approximately 1.4 million acres, which includes 3,800 miles of trails, 300 miles of coastline, 800 miles of lake and river frontage, and about 14,800 campsites. Over 80 million visitors travel to state parks each year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Support of the Department of Parks and Recreation	\$ 466,148	\$ 382,490	-\$83,658	-17.9
Local Assistance Grants	93,458	44,279	-49,179	-52.6
Capital Outlay	169,174	67,011	-102,163	-60.4
Total	\$ 728,780	\$ 493,780	-235,000	-32.2
Funding Source				
General Fund	\$ 231,630	\$ 150,359	-81,271	-35.1
Special Funds	233,056	202,950	-30,106	-12.9
Bond Funds	139,291	69,403	-69,888	-50.2
<i>Budget Act Total</i>	<i>\$ 603,977</i>	<i>\$422,712</i>	<i>\$-181,265</i>	<i>-30</i>
Federal Trust Fund	77,633	27,241	-50,392	-64.9
Reimbursements	46,136	43,013	-3,123	-6.4
Harbors and Watercraft Revolving Fund	747	814	67	8.9
California Missions Foundation Fund	289	0	-289	-100
Total	\$ 728,782	\$ 493,780	\$-235,002	-32.2

1. Local Assistance Program

Background. The Department of Parks and Recreation provides various grants to cities, counties, non-profit organizations, regional park districts, local park districts, museums, aquariums, zoos, and other public utility or community service districts. These local assistance grants are used for capital projects, including acquisition of real property, development, and rehabilitation. Grants from the Off-Highway Vehicle account distributed away by the Off-Highway Motor Vehicle Recreation Commission.

Governor's Budget. The Governor's Budget proposes \$39,279,000 from numerous special funds for local assistance grants. The grants are from the following accounts:

- \$5,379,000 from the Habitat Conservation Fund
- \$18,000,000 from the Off-Highway Vehicle Trust Fund
- \$9,700,000 from the Recreational Trails Fund
- \$6,200,000 from the Federal Trust Fund

Auditor's Report. In 2004, the State Auditor's Office audited the Department of Parks and Recreation for their use of Off-Highway Vehicle (OHV) funds. The State Auditor found inappropriate use of Off-Highway Motor Vehicle Recreation Commission funds by Parks. The State Auditor found that "based on a questionable legal interpretation and inadequately supported cost estimates, the department is using Off-Highway Trust Fund money—\$3.6 million during fiscal year 2003-04—to support state parks that do not have OHV recreation."

LAO 2006 Analysis. In the *Analysis of the 2006-07 Budget Bill*, the LAO found that many of the concerns raised by the Auditor's report had not been addressed. For example, the establishment of a clear set of grant guidelines and procedures, essential in order to award grants and ensure funds are spent consistent with statute, had not occurred. While the Off-Highway Motor Vehicle Recreation Division has established emergency regulations which include guidelines and used those guidelines to evaluate grant proposals, the Off-Highway Motor Vehicle Recreation Commission at a December 2005 meeting adopted a significantly different set of grant guidelines. Thus, there are currently two inconsistent sets of guidelines.

Furthermore, as indicated in the Auditor's report, the lack of a shared strategic plan between the Commission and Division limits the ability of the Off-Highway Motor Vehicle Recreation Division to implement the grant program consistent with the goals and priorities of the overall OHV Program. The LAO finds that, due to the inconsistent guidelines, the effectiveness of the grant program cannot be assured. Therefore, in 2006, the LAO recommended the Legislature not fund the OHV grant program.

Program Sunset. The Off-Highway Motor Vehicle Recreation Commission is sun-setting in 2008. Traditionally, the grants for this program have been given out in December or January. The sunset date means that the grants to be provided may or may not be ready before authority to provide grants expires.

Staff Analysis. The combination of inconsistent guidelines for the Off-Highway Vehicle grant program and the program's sunset indicate that there is little likelihood that consistent grant

guidelines will be developed, and grants provided to applicants, prior to the sunset of the Off-Highway Motor Vehicle Recreation Commission.

Staff Recommendation. Staff recommends the Subcommittee approve \$21,279,000, and reject the \$18 million from the Off-Highway Vehicle Trust Fund.

2. Los Angeles Parks

Proposed Reappropriation:

3790-4XX – Reappropriation, Department of Parks and Recreation. Notwithstanding any other provision of law, the period to liquidate the encumbrance of the following citation, subject to the following limitation, is extended to June 30, 2009:

0383 – Natural Resources Infrastructure Fund. Item 3790-101-0383, Budget Act of 2004 (Ch. 208, Stats. 2004), as reappropriated by Item 3790-494(1), Budget Act of 2005 (Ch. 38, Stats. 2005), City of Los Angeles, Department of Parks and Recreation, to fund priority parks renovation, restoration, improvement, and deferred maintenance.

Staff Recommendation. Staff recommends that the Subcommittee adopt the reappropriation language.

3860 Department of Water Resources

Background. The Department of Water Resources (DWR) protects and manages California's water resources. In this capacity, the department maintains the State Water Resources Development System, including the State Water Project. The department also maintains public safety and prevents damage through flood control operations, supervision of dams, and water projects. The department is also a major implementing agency for the CALFED Bay-Delta Program, which is putting in place a long-term solution to water supply reliability, water quality, flood control, and fish and wildlife problems in the San Francisco Bay Delta.

Additionally, the department's California Energy Resources Scheduling (CERS) division manages billions of dollars of long-term electricity contracts. The CERS division was created in 2001 during the state's energy crisis to procure electricity on behalf of the state's three largest investor owned utilities (IOUs). The CERS division continues to be financially responsible for the long-term contracts entered into by the department. (Funding for the contracts comes from ratepayer-supported bonds.) However, the IOUs manage receipt and delivery of the energy procured by the contracts.

Governor's Budget. The Governor's Budget proposes \$1.4 billion to support DWR in the budget year. This is a 27 percent increase over estimated expenditures in the current year mainly the result of an increase in the amount of resources bond funds available for appropriation. General Fund support for the department is proposed to decrease by 99 percent to reflect a shift to bond funding. An additional \$6.4 billion is not subject to the Budget Act (these funds are primarily for energy payments related to the 2001 electricity crisis).

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
California Water Plan	\$ 419,532	\$ 646,666	\$ 227,134	54.1
State Water Project Infrastructure	816,859	835,566	18,707	2.2
Public Safety and Prevention of Damage	262,430	597,163	334,733	127.5
Services	8,943	9,252	309	3.5
California Energy Resources Scheduling	5,789,862	5,577,211	-212,651	-3.7
Capital Outlay	451,074	196,607	-254,467	-56.4
Administration	63,700	63,848	148	0.2
<i>less distributed administration</i>	<i>-63,700</i>	<i>-63,848</i>	<i>-148</i>	<i>0.2</i>
Loan Repayment Program	-4,013	-4,013	0	0
Total	\$ 7,744,687	\$ 7,858,452	\$ 113,765	1.5
Funding Source				
General Fund	\$ 688,065	\$ 5,115	-\$682,950	-99.3
Special Funds	12,717	11,923	-794	-6.2
Bond Funds	398,035	1,378,611	980,576	246.3
<i>Budget Act Total</i>	<i>1,098,817</i>	<i>1,395,649</i>	<i>296,832</i>	<i>27</i>
Federal Trust Fund	12,665	12,863	198	1.6
State Water Project Funds	817,898	837,026	19,128	2.3
DWR Electric Power Fund	5,789,862	5,577,211	-212,651	-3.7
Bosco-Keene Renewable Resources Investment Fund	20	0	-20	
Reimbursements	25,425	35,703	10,278	40.4
Total	\$ 7,744,687	\$ 7,858,452	\$ 113,765	1.4

1. Flood Management Comprehensive Strategic Plan

Background. California's Central Valley would naturally have seasonal floods if not for a levee system constructed during the early-to-mid-1900s. The Central Valley flood control system was intended to protect agricultural land and consists of levees, weirs, bypasses, and overflow areas.

Today, the Department of Water Resources is responsible for the operation and maintenance of 1,600 miles of Central Valley levees.

The Department of Water Resources is entering the third year of a three year program to strengthen the department's Division of Flood Management. The division is responsible for:

- Ensuring the integrity of existing flood project infrastructure through improved maintenance program that balance public safety and needed environmental protection
- Evaluating the integrity and capability of existing flood control project facilities and preparing an economically viable rehabilitation plan
- Improving the effectiveness of emergency response programs
- Updating floodplain maps and providing better education on flood risks to the public and to agencies that authorize development in floodplains
- Implementing a multi-objective management approach for floodplains that would include, but would not be limited to, increased flood protection, ecosystem restoration, and farmland protection
- Evaluating potential policies and procedures that may determine the State's capacity to fund levee maintenance, infrastructure improvements, and emergency response in the Delta

Governor's Budget. The Governor's Budget proposes \$11,985,000 (\$9,480,000 baseline and \$2,505,000 one-time) from various funding sources for 35 new positions and 2.5 existing positions. The funds would be divided as follows:

- \$7,980,000 from General Fund (AB 142) for 32 new positions
- \$1.5 million in baseline reimbursement authority and 3 new positions
- \$671,000 in one-time Proposition 13 bond funds for 2.5 existing positions
- \$1,834,000 in one-time Proposition 13 bond funds for local assistance funding
- \$465,000 in one-time General Fund for equipment
- Reversion of \$834,388 in Proposition 13 bond funds for state operations and local assistance

New Programs. The Governor's Budget proposal would have several new program implications for the State's flood management system:

- **Maintenance Area Formation** – The budget proposes three new positions to work on forming Maintenance Areas, which would allow the State to complete necessary work on levees where the local agencies have not adequately maintained the levees. These Maintenance Areas would be paid for by the property owners who benefit with a new fee.
- **Coordinated Reservoir Operations** – The budget proposes two new positions to create and maintain a modeling system and related communications interfaces to manage flood risk by improving reservoir operations.
- **Climate Analyses for Flood Impacts and Planning** – The budget proposes two new positions to evaluate increased flood potential due to global climate change. These positions will support the Department's efforts to assess and plan for increased risk, develop appropriate emergency plans, update flood maps, and inform California communities.

- **Flood Operations Center Emergency Decision Support System** – The budget proposes one new position to develop a computer-based decision support system for real-time decisions for flood emergency response.
- **Floodplain Management Technical Assistance to Local Communities** – The budget proposes three new positions to develop and provide a strategic mapping outreach program and to educate the State’s communities in floodplain management programs.

Staff Analysis. AB 142 provided the Department of Water Resources with \$500 million for levee evaluation and repair and related work, and flood control system improvements. Not all of the activities proposed by the department fit in with the discussion the Legislature had when approving AB 142, when it was indicated that the funds were for emergency levee repairs.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

2. San Joaquin River Restoration Reimbursement Authority

Background. In 1988, the Natural Resources Defense Council (NRDC) sued the Bureau of Reclamation and the Friant Water Users Authority (FWUA) over the fish population levels in the river. In August of 2006, NRDC and FWUA entered into a settlement agreement, the goal of which is to “restore and maintain fish populations” in the San Joaquin River below the Friant Dam. The settlement specifies actions that will be taken over the next 20 years to restore the San Joaquin River. The intent is to restore approximately 150 miles of river from the Friant Dam to the confluence with the Merced River.

Under the agreement, the federal government will provide funds to restore the river, while FWUA agreed to actions that will increase flows in the river. The Resources Agency estimates that costs for restoring the San Joaquin River will range from \$350 to \$800 million over 20 years. While the state is not a party to the lawsuit, The Department of Water Resources, the Resources Agency, and the California Environmental Protection Agency have entered into a memorandum of understanding with the settling parties regarding the state’s role in the restoration.

Proposition 84 (Safe Drinking Water, Water Quality and Supply, Flood Control, River and Coastal Protection Act of 2006) provides \$100 million to the Resources Agency for San Joaquin River restoration.

Governor’s Budget. The Governor’s Budget proposes \$57,900,000 in reimbursement authority over five years and four new positions as well as two limited-term positions to work on San Joaquin River restoration.

Staff Recommendation. Staff recommends that the Subcommittee approve \$13,869,000 in reimbursement authority with the following budget bill language:

The funds in this item may only be used consistent with the terms of the settlement agreement in NRDC v. Rodgers for studies, baseline monitoring and other research; program management; and the establishment and operation of the restoration administrator.

3. Salton Sea Proposition 84 Increase

Background. California's interstate apportionment of Colorado River water is limited to 4.4 million acre-feet during normal hydrologic years. However, California has typically used about 800,000 acre-feet more than the State's annual apportionment. Due to increasing demands for water in Arizona and Nevada, the federal government has directed California to reduce use of Colorado River water to its "normal apportionment".

The Quantitative Settlement Agreement (QSA) was adopted in 2003 by the Imperial Irrigation District, San Diego County Water Authority, Metropolitan Water District of Southern California, and Coachella Valley Water District. The legislation implementing the QSA also contained provisions to restore the Salton Sea.

The Salton Sea restoration plan will be presented to the Legislature during the spring/summer of 2007. The five-year plan will include preferred alternatives for Salton Sea restoration.

Staff Proposal. Staff proposes to increase the Department of Water Resources budget by \$7.3 million in reimbursement for project start up and operations, Early Start Habitat planning, design permitting, environmental documents and funding for other activities.

Staff Recommendation. Staff recommends that the Subcommittee adopt the staff proposal.

4. Trailer Bill Language Placeholder

Staff Recommendation. Staff recommends that the Subcommittee adopt the following Supplemental Report Language and placeholder trailer bill language:

Staff recommends that the Subcommittee adopt Supplemental Report Language:

Beginning on October 1, 2007, the Department of Water Resources shall report quarterly to the Legislature (including budget and fiscal committees from both houses) on the projects it has undertaken and plans to undertake with the funds appropriated. The report shall include information on the project title, the date the project was begun or is anticipated to begin, the total amount encumbered on the project to date, and the total estimated project cost.

Staff recommends that the Subcommittee approve placeholder trailer bill language stating that: 1) the funds shall not be used on any project that would increase state liability under the *Paterno* ruling; 2) that grants to local agencies shall be conditioned on appropriate assignment of agency responsibility, planning, and local land use decisions to protect against flood damage; 3) specify

funds for evaluation and repairs for non-project levees; and 4) specify the appropriate local and federal match contributions.

Staff also recommends that the Subcommittee approve placeholder trailer bill language to ensure projects are subject to public oversight when the project has no federal contribution. The trailer bill language should specify uses of funds and require any expenditure of funds for costs properly assigned to the federal government be subject to 30-day notice and concurrence by Joint Legislative Budget Committee. The trailer bill language should also state that the approval of the project be conditioned on reimbursement or crediting for costs by federal government.

5. North Coast Stormwater Management

Background. The proposed budget funding for flood control and flood protection is focused principally (and appropriately) on central valley flood protection. However, according to information provided to the committee, the incidences of flash flooding in rivers from the Russian River to the Marin Headlands and northern bay area are significant, and routine threaten both public safety and property. Yet there is little funding in the budget dedicated to protection of populations and property for these purposes.

Staff Recommendation. In view of the potential threat to life and property in the north coastal areas, staff recommends the subcommittee adopt the following appropriations and budget bill language:

3860-001-[prop 1-E Section 5096.827]—Department of Water Resources.....\$20,000,000

Provisions:

1. Funds appropriated pursuant to this item shall be expended for stormwater flood protection projects in the northern bay area and Marin County for the purposes of protecting public safety and property from flood events.

6. Reappropriation, Extension of Liquidation Period and Reversion for Various Funds

Finance Letter. The Finance Letter proposes reappropriation for various projects funded out of Proposition 13 bond funds:

- Agricultural Water Conservation Program – Reappropriation of \$14,999,397
- CALFED Conveyance Program, Delta Cross Channel – Reappropriation of \$229,312
- CALFED Conveyance Program, Fish Collection, Handling, Transportation, and Release Evaluation – Reappropriation of \$1,356,716
- CALFED Conveyance Program, Franks Tract – Reappropriation of \$1,473,595

- CALFED Conveyance Program, Through Delta Facility Study – Reappropriation of \$5,672,511
- CALFED Conveyance Program, Through Delta Facility Study – Reappropriation of \$947,950
- CALFED Ecosystem Restoration Project – Reappropriation of \$7,056,904
- CALFED Ecosystem Restoration Project – Reappropriation of \$13,509,640
- CALFED Science Program – Reappropriation of \$1,646,838
- CALFED Drinking Water Quality, Franks Tract – Reappropriation of \$1,245,000
- CALFED Conveyance Program, South Delta Hydrodynamic Investigations – Reappropriation of \$2,398,859
- Interim Reliable Water Supply Program – Reappropriation of \$6,250,000
- Safe Drinking Water Office, Pilot Projects – Reappropriation of \$11,450,000

The Finance Letter proposes reappropriation from Proposition 50 bond funds for:

- CALFED Drinking Water Quality, Franks Tract – Reappropriation of \$4,199,491

Staff Recommendation. Staff recommends that the Subcommittee approve the reappropriations.

7. Integrated Regional Water Management and Stormwater Flood Management

Background. Proposition 84 and Proposition 1E, passed by voters in November 2006, jointly provided \$1.9 billion for integrated regional water management. The Department of Water Resources is proposing to use these funds for local assistance grants, grant administration, and technical assistance, including data analysis and program assessment. Specifically, the funds would be used toward:

- Integrated regional water management grants (\$808.5 million)
- Stormwater flood management grants (\$274.5 million)
- Regional planning grants and regional planning grants for disadvantaged communities (\$30 million)
- Local groundwater management grants (\$18 million)
- Directed actions to projects with interregional and statewide benefits (\$32 million)
- Directed actions to projects that benefit disadvantaged communities (\$10 million)
- Scientific research grants (\$8 million)
- Data collection, management, dissemination, and analysis (\$15 million)
- Technical assistance and coordination for collaborative regional planning efforts (\$15 million)
- Assessment of progress and benefits of integrated regional water management implementation (\$3 million)
- Grant administration for 10 years (\$40.5 million)

Governor's Budget. The Governor's Budget proposes \$965 million in Proposition 84 bond funds and \$289.5 million in Proposition 1E funds over 11 years. Also, 46.5 new positions are requested to support these two programs.

Previous Subcommittee Action. On May 21, the Subcommittee approved the Stormwater Flood Management funds proposed by the Governor and increased the amount by \$100,000.

Staff Recommendation. Staff recommends that the Subcommittee reject the budget proposal.

3900 State Air Resources Board

Background. The Air Resources Board (ARB), along with 35 local air pollution control and air quality management districts, protects the state's air quality. The local air districts regulate *stationary sources* of pollution and prepare local implementation plans to achieve compliance with federal and state standards. The ARB is responsible primarily for the regulation of *mobile sources* of pollution and for the review of local district programs and plans. The ARB also establishes air quality standards for certain pollutants, administers air pollution research studies, and identifies and controls toxic air pollutants.

Governor's Budget. The Governor's Budget proposes \$375 million to support the ARB in 2007-08. This is a 23 percent increase from estimated expenditures in the current year due to an increase in available bond funds. General Fund support for the ARB is also increasing by over 50 percent.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Mobile Source	\$ 269,938	\$ 330,468	\$ 60,530	22.4
Stationary Source	43,803	53,033	9,230	21.1
Subvention	10,111	10,111	0	0
Capital Outlay	120	1,000	880	733.3
Administration	11,960	13,926	1,966	16.4
<i>less distributed administration</i>	<i>-11,960</i>	<i>-13,926</i>	<i>-1,966</i>	<i>16.4</i>
Total	\$ 323,972	\$ 394,612	\$ 70,640	21.8
Funding Source				
General Fund	\$ 2,280	\$ 3,435	\$ 1,155	50.7
Special Funds	302,913	275,639	-27,274	-9
Bond Funds	0	96,500	96,500	100
<i>Budget Act Total</i>	<i>305,193</i>	<i>375,574</i>	<i>70,381</i>	<i>23.1</i>
Federal Trust Fund	13,778	13,963	185	1.3
Reimbursements	5,002	5,075	73	1.5
Total	\$ 323,973	\$ 394,612	\$ 70,639	21.8

1. Carl Moyer Program

Background. The Carl Moyer Program began in 1998. The Carl Moyer Program aims to utilize an incentive strategy to complement regulations in meeting California's State Implementation Plan for clean air. In its first six years, the program paid out about \$140 million and cleaned up more than 6,300 heavy-duty engines. The *2004-05 Budget Act* provide the Carl Moyer Program with a permanent funding source by adjusting the smog abatement fee.

Currently, the Carl Moyer Program has 16 positions and \$145 million a year to address emissions sources ranging from diesel engines to cars to confined animal facilities. The staff works on three key areas: development of new program elements, implementation of the program, and oversight.

Administrative Funding. The Carl Moyer Program allows up to four percent of the program's funding to be spent on administration and outreach. Traditionally, the Air Resources Board (ARB) received two percent while the local air districts received two percent of the funding. SB 225 (Soto, 2006) increased the local administrative resources to a maximum of five percent of large districts and a maximum of ten percent for medium and small districts with grant funds. The ARB and the local air districts agreed that this new level of administrative funding would be sufficient for the local air districts. It was agreed that the two percent of funding previously used by the local districts could be turned over the ARB.

May Revise. The Governor's May Revise Budget proposes an internal realignment of \$900,000 within the Carl Moyer Program (Air Pollution Control Fund). The funds were previously used by the local air districts for administration. The funds would support six new permanent positions and re-establish two expiring limited-term positions.

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

2. Climate Change Litigation Expense

Background. AB 1493 (Pavley, 2002) required the Air Resources Board (ARB) to adopt regulations to achieve the maximum feasible and cost effective reduction of greenhouse gas emissions from motor vehicles manufactured in model year 2009 and later. The ARB adopted the regulations in 2004.

Immediately following the motor vehicle regulation adoption, three separate lawsuits were filed against the ARB. The Department of Justice is representing the State. The first case was supposed to start in January 2007, but was placed on hold by the judge due to a similar case in front of the United States Supreme Court. (It is worth noting that the federal case, involving the United States Environmental Protection Agency's (USEPA) ability to regulate greenhouse gasses, was won by the USEPA). The other two cases against the ARB are expected to proceed to trial during fiscal year 2007-08.

Governor's Budget. The Governor's Budget proposes an augmentation of \$1 million General Fund to cover litigation expenses related to the State's defense of AB 1493.

Previous Subcommittee Action. On April 16 the Subcommittee approved the budget proposal with the following budget bill language:

Of this amount, \$1,000,000 is to cover litigation expenses associated with the State's defense of AB 1493 only.

Staff Recommendation. The climate litigation funds are being moved from the Air Resources Board to the Department of Justice. Thus, staff recommends the Subcommittee reduce item by \$1 million General Fund.

3. Enforcement of Diesel Risk Reduction Measures

Background. As noted in previous agendas of the subcommittee, soot from diesel-fueled engines dangerous air pollutant that has been linked to lung cancer, chronic bronchitis, asthma episodes, heart attacks and strokes, hampered lung growth in children, and premature deaths. The State Air Resources Board (ARB) and US EPA have both linked diesel particulates to approximately 2,000 premature deaths each year as well as thousands of hospitalizations for respiratory illnesses. Recent research in Southern California has found pronounced deficits in attained lung function for children living within 500 meters of a freeway. Other studies of women's health found that particulate pollution substantially increases the risk of heart disease in older women.

ARB Diesel Risk Reduction Plan Lacks Enforcement Resources. In 2000, the Air Resources Board (ARB) adopted a Diesel Health Risk Management Plan, which calls for reducing diesel particulate matter levels by 75 percent from 2000 baseline levels by 2010, and by 85 percent by 2020. The Diesel Health Risk Management Plan is a multi-faceted plan that included verification of newly developed diesel emissions control strategies, incentive funding, and regulations requiring diesel emission reductions from existing fleets."

Pursuant to this plan, the ARB has adopted regulations that affect public transit, solid waste collection, and public and utility and fleets, as well as measures to control idling of diesel vehicles, including public and private buses and trucks. For example, beginning in 2008, all diesel sleeper truck cabs will be subject to idling limits as well as controls on any auxiliary power units used to provide electrical power for heat, air conditioning and other uses.

While these new rules on the books and in the works, the ARB has asked for few new resources in the proposed budget expressly for the purposes expanded enforcement efforts are needed to ensure consistent enforcement and public health protection. According to records provided to the committee, currently ARB has approximately 32 enforcement staff to enforce diesel regulations statewide, including 18 staffers in the field. Enforcement efforts currently include roadside vehicle inspections and fleet audits to test for excessive smoke and tampering with emissions

control systems. Those resources appear to be woefully inadequate relative to the size of the job that needs to be done.

ARB staffing and enforcement programs have not been updated to reflect the new regulations that have been adopted over the past two years and additional regulations to be adopted soon. For example, there are over 500,000 diesel vehicles operating in California and approximately 38,000 truck terminals in California that should be checked for violations of vehicle idling requirements. Local air district and law enforcement could assist in these efforts if properly trained. There are also hundreds of thousands of off-road diesel engines that will be subject to new ARB diesel regulations for off-road and construction equipment. Given the importance of port-related emissions sources, ARB will also be adopting important regulations to control emissions from diesel engines in trucks, ships and equipment used at ports. Mobile diesel equipment is the leading source of NOx emissions in some of our most polluted air basins, and increased enforcement of ARB diesel regulations will help ensure that those basins benefit from ARB controls that target NOx emissions.

Staff Recommendation. In view of the serious public health and environmental costs associated with diesel pollution, and the apparent need for additional enforcement resources, staff recommends that the ARB budget be augmented out of surplus Air Pollution Control Funds to add staff dedicated to enforcement of diesel emission reduction measures and to expand public education and outreach efforts

3900-001-0115—For support of the Air Resources Board payable from the Air Pollution Control Fund..... 1,000,000

Provisions:

Funds appropriated pursuant to this item shall be expended for the purposes of enforcing the Diesel Risk Reduction Plan and related enforcement and public outreach.

4. Zero-Emission Vehicle and Infrastructure Implementation Support Program

Background. Transportation is California's largest source of carbon dioxide, with passenger vehicles and light duty trucks creating more than 30 percent of total climate change emissions. The Air Resources Board (ARB) began controlling emissions from vehicles in the 1960s, but gains in emissions reductions have been negated through continued growth in the state's vehicle population and the number of miles being driven by each vehicle. In their 2003 Petroleum Dependence Report, the California Energy Commission and the ARB stated that to provide the greatest social benefit from reduced pollution at a cost savings it would be necessary to achieve a 20 percent utilization of alternative fuels by 2020 and 30 percent utilization by 2030.

The Zero Emission Vehicle (ZEV) regulation requires automakers to demonstrate and commercialize zero emission vehicles. The ZEV regulation also allows automakers to comply with a portion of their obligation with ZEV enabling technologies, such as hybrid vehicles, plug-

in hybrid electric vehicles, hydrogen internal combustion engine vehicles and compressed natural gas vehicles. The Hydrogen Highway is one way of working toward the ZEV effort. Currently, there is no regulation requiring energy suppliers to build hydrogen stations.

Past co-funding for the establishment of public hydrogen refueling stations were awarded to San Diego City Schools, Pacific Gas and Electric, and California State University Los Angeles.

Governor's Budget. The Governor's Budget proposes \$6,033,000 (\$1,033,000 on-going, \$5 million one-time) from the Motor Vehicle Account for continued implementation of the Hydrogen Highway Blueprint Plan, making six temporary positions permanent, and adding two permanent positions.

The \$5 million in one-time funds would be used for up to 50 percent matching funding for up to eight hydrogen fueling stations. This proposed funding would target placement of four small-scale stations utilizing flexible "drop and swap" strategies. This proposal would also target installation of up to four hydrogen refueling stations demonstrating promising and innovative renewable hydrogen production pathways such as biomass conversion, advanced photovoltaic and wind energy.

Previous Subcommittee Action. On April 16, the Subcommittee adopted the Governor's proposal.

Staff Recommendation. Staff recommends that the Subcommittee reject the proposal.

3910 California Integrated Waste Management Board

Background. The California Integrated Waste Management Board (CIWMB), in conjunction with local agencies, is responsible for promoting waste management practices aimed at reducing the amount of waste that is disposed in landfills. The CIWMB administers various programs that promote waste reduction and recycling, with particular programs for waste tire and used oil recycling. The board also regulates landfills through a permitting, inspection, and enforcement program that is mainly carried out by local enforcement agencies that are certified by the board. In addition, CIWMB oversees the cleanup of abandoned solid waste sites.

Governor's Budget. The Governor's Budget proposes \$198.4 million to support CIWMB in the budget year. This is nearly the same level of support as in the current year. The board does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Waste Reduction and Management	\$ 201,188	\$ 201,169	-\$19	0
Administration	9,195	9,195	0	0
<i>less distributed administration</i>	-9,195	-9,195	0	0
<i>less loan repayments</i>	-2,042	-2,042	0	0
Total	\$ 199,146	\$ 199,127	-\$19	0
Funding Source				
Special Funds	\$ 198,218	\$ 198,485	\$ 267	0.1
Bond Funds	150	0	-150	-100
<i>Budget Act Total</i>	<i>198,368</i>	<i>198,485</i>	<i>117</i>	<i>0.1</i>
Federal Trust Fund	91	0	-91	-100
Special Deposits Fund	351	307	-44	-12.5
Reimbursements	336	335	-1	-0.3
Total	\$ 199,146	\$ 199,127	-\$19	0

1. Tire recycling

LAO Analysis. Waste tires are diverted for a number of productive end uses, such as crumb rubber—wire-free tire shreds of varying sizes—and rubberized asphalt concrete (RAC)—paving material that is a blend of crumb rubber, asphalt, and other materials. In 1990, the Waste Tire Recycling Management Program was created. At the program's inception, the state diverted 34 percent of waste tires from landfills to other productive end uses. As of 2005 (the last year for which data are available), the rate of waste tire diversion was 75 percent, or 30.6 million tires diverted out of 40.8 million tires generated.

At the program's inception, there were many large, preexisting piles of illegally stored waste tires throughout the state. The CIWMB reports that between 1994 and 2002, it identified 894 illegal tire sites that collectively held 6.1 million waste tires.

Through the CIWMB's enforcement efforts, it has been able to bring about the cleanup and/or proper storage of waste tires at nearly all of the 894 illegal tire sites, including the Tracy and Westley tire piles—sites of large, long-burning tire fires that occurred in the late 1990s. In recent years, the CIWMB has contracted with the California Highway Patrol for use of its helicopters to identify remote tire piles. The CIWMB newly identifies fewer large, illegal tire piles every year.

The waste tire recycling program is supported entirely by fees. Currently, the fee is \$1.75 per tire, collected when the tire is purchased. The CIWMB's portion of the fee was statutorily set to decrease from \$1.00 to 75 cents on December 31, 2006. However, at hearings on the 2006-07 budget, the Legislature revised statute so that CIWMB's portion of the fee remains at \$1.00. In retaining the higher fee, the Legislature recognized an opportunity for the board to expand efforts to divert the roughly 10.2 million waste tires disposed of in California landfills each year. However, the Legislature did not give specific direction regarding which board activities to increase waste tire diversion it wanted CIWMB to expand

LAO Recommendation. The LAO thinks that the CIWMB is best positioned to identify those additional efforts most likely to increase the number of waste tires diverted from the state's landfills, as well as to advise the Legislature of the policy choices that may be inherent in such efforts warranting legislative evaluation. Therefore, the LAO recommends the adoption of the following supplemental report language:

Item 3910-001-0226. The California Integrated Waste Management Board shall submit a report to the Legislature by July 10, 2008, that identifies the following:

1. A history of revenues, expenditures, and balances of the California Tire Recycling Management Fund since its inception, and projection of such information for 2008-09 and the subsequent two fiscal years.
2. A history of waste tire diversion rates and end uses, and projection of such rates and uses for 2007 and the subsequent three years.
3. Identification and assessment of the costs and effectiveness of options to increase the rate of diversion of waste tires from disposal in landfills.
4. Any statutory changes that would assist the board's efforts to increase the diversion rate.

Previous Subcommittee Action. The Subcommittee amended the report due date from July 10, 2008 to January 10, 2008.

Staff Recommendation. Staff recommends the Subcommittee adopt the Supplemental Report Language proposed by the LAO with the July 10, 2008 date.

3940 State Water Resources Control Board

Background. The State Water Resources Control Board (SWRCB), in conjunction with nine semi-autonomous regional boards, regulates water quality in the state. The regional boards—which are funded by the state board and are under the state board's oversight—implement water quality programs in accordance with policies, plans, and standards developed by the state board.

The board carries out its water quality responsibilities by: (1) establishing wastewater discharge policies and standards; (2) implementing programs to ensure that the waters of the state are not contaminated by underground or aboveground tanks; and (3) administering state and federal loans and grants to local governments for the construction of wastewater treatment, water reclamation, and storm drainage facilities. Waste discharge permits are issued and enforced mainly by the regional boards, although the state board issues some permits and initiates enforcement actions when deemed necessary.

The state board also administers water rights in the state. It does this by issuing and reviewing permits and licenses to applicants who wish to take water from the state's streams, rivers, and lakes.

Governor's Budget. The Governor's Budget proposes \$657 million to support the SWRCB in the budget year. This proposal is approximately \$112 million less than current year expenditure levels, mainly due to a reduction in bond funding. General Fund appropriation is expected to stay nearly the same.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Water Quality	\$ 927,734	\$ 823,408	-\$104,326	-11.3
Water Rights	13,642	11,137	-2,505	-18.4
Administration	18,950	18,890	-60	-0.3
<i>less distributed administration</i>	<i>-18,950</i>	<i>-18,890</i>	<i>60</i>	<i>-0.3</i>
Total	\$ 941,376	\$ 834,545	-\$106,831	-11.4
Funding Source				
General Fund	\$ 39,091	\$ 39,102	\$ 11	0
Special Funds	362,715	362,980	265	0.1
Bond Funds	367,641	254,966	-112,675	-30.6
<i>Budget Act Total</i>	<i>769,447</i>	<i>657,048</i>	<i>-112,399</i>	<i>-14.6</i>
Federal Trust Fund	128,877	128,578	-299	-0.2
Reimbursements	9,999	9,999	0	0
State Water Quality Control Fund	23,309	29,495	6,186	26.5
State Water Pollution Control Revolving Fund	-2,682	-2,682	0	0
Petroleum Underground Storage Tank Financing Account	12,426	12,107	-319	-2.6
Total	\$ 941,376	\$ 834,545	-\$106,831	-11.4

1. Proposition 13 and Proposition 50 Funding

Background. The State Water Board has adopted guidelines for the implementation of Proposition 13 and Proposition 50 local assistance grant funds. The guidelines establish a competitive process and criteria for selecting projects. State Water Board staff inspects projects during and after construction and reviews progress reports and invoices.

According to the California State Treasurer's Office, as of June 1, 2006, there are still \$27.6 million in unissued general obligation bonds for the Water Conservation and Water Quality Bond Law of 1986. The State Water Board informs staff that this is because these bond funds are specified to be loans, and the board has trouble finding interested applicants (most local agencies prefer grants).

Governor's Budget. The Governor's Budget proposes a total of \$132,542,000 from Proposition 13, Proposition 50, and 1986 Bond funds. Of these funds, \$35,552,001 is a reappropriation and \$96,991,000 is new funding. The funds are proposed as follows:

- 1986 Water Quality Bond – \$2.2 million local assistance reappropriation for agricultural drainage loans
- 1986 Water Quality Bond – \$4.6 million local assistance appropriation for agricultural drainage loans
- Proposition 13 – \$7,464,507 local assistance reappropriation for wastewater construction, coastal non-point source pollution control, and Southern California Integrated Watershed Program
- Proposition 13 – \$1,036,000 local assistance appropriation for water recycling
- Proposition 50 – \$25,887,494 local assistance reappropriation for water recycling and Integrated Regional Water Management
- Proposition 50 – \$91,355,000 local assistance appropriation for water recycling and Integrated Regional Water Management

Projects Ready for Funding. The \$82 million for Integrated Regional Water Management projects would be provided to projects that have already been approved by the State Water Board. These projects represent \$75 million in funding. The rest of the funds would be granted to projects that have not yet been approved by the State Water Board. The approved projects are:

- \$25 million – Santa Ana Watershed Project Authority
- \$12.5 million – Tahoe Resource Conservation District
- \$12.5 million – Contra Costa Water District
- \$12.5 million – Monterey County Water Resources Agency
- \$12.5 million – Community Foundation of Santa Cruz County

Staff Recommendation. Staff recommends that the Subcommittee approve the budget proposal.

2. Wastewater Regulatory Programs Funding

Background. Under the Porter-Cologne Act, the State Water Board is responsible for preserving, protecting, and enhancing the quality of the waters of the state. The State Water Board is also responsible for implementing the Clean Water Act.

In 1989, the United States Environmental Protection Agency and the State Water Board signed an MOU that required the State Water Board to administer the National Pollutant Discharge Elimination System (NPDES) program in accordance with federal and state laws, regulations, and policies. The NPDES issues wastewater permits.

In the *2006-07 Budget Act*, rather than increase fees to support the NPDES program, the Governor and the Legislature provided NPDES with \$4 million in one-time general fund monies.

Governor's Budget. The Governor's Budget proposes \$1.3 million from General Fund and \$2.7 million from the Waste Discharge Permit Fund to continue support for existing staff in the NPDES program.

Staff Analysis. In last year's budget, the Governor proposed and the subcommittee supported using the \$4 million increase to the National Pollutant Discharge Elimination System (NPDES) permit fees provide for the costs of this program. In the final budget, this funding source was substituted with general fund on a one-time basis. In this proposal, the administration is proposing to maintain funding levels for this program and continue supporting staff from the general fund on an ongoing basis.

While staff generally agrees with the administration that these programs serve the overall public good and do merit general fund support, it is also appropriate that a percentage of the costs of monitoring discharged pollution be supported by those that discharge into public waterways. Staff suggests that the subcommittee look again at the feasibility of using fee revenue to support some if not all of these programmatic costs

Staff Recommendation. Staff recommends that the Subcommittee order the department to raise fees to cover the \$1.3 million needed. Staff recommends that the Subcommittee reject the \$1.3 million General Fund request and approve the \$2.7 million from the Waste Discharge Permit Fund.

3. Agricultural Waiver Program

Background. In areas where polluted wastewater is discharged into surface waters, the Regional Boards establish waste discharge permit requirements which put restrictions on the kinds of waste and the amounts that may be discharged. State law allows regional boards to waive the waste discharge requirements if it is in the public interest, typically because the amount of discharge is insignificant. The Regional Boards typically make the grant of a "waiver" to the discharger subject to some conditions, such as requiring the discharger to monitor its discharges. Historically, the Regional Boards have regulated runoff from agriculture under conditional waivers.

The Central Coast, Los Angeles, and Central Valley Water boards have adopted conditional waivers for discharges from irrigated lands that require dischargers to monitor water quality and to take corrective actions if water quality impairments are found. Implementing this waiver will require the Regional Boards' staff to review monitoring plans and reports, work with discharger groups, and make recommendations to the Regional Boards on how the conditional waiver may need to be modified, based on information found.

Applying for an agricultural waiver is voluntary. If a land owner does not apply for the waiver, they have to meet all other clean water regulations without monitoring their own discharges.

Funding History. In 2005, the State Water Board adopted a fee schedule for the agricultural waivers program, which was anticipated to raise \$1.9 million in annual revenues. However, due

to low enrollment rates and confusion over what acreage is actually covered by the program, the agricultural waiver fee only generated about \$570,000 in 2005-06 and is expected to generate \$600,000 in 2006-07. Rather than raise the fee, the Legislature provided the program with a one-time appropriation of \$1.6 million General Fund in 2006-07.

Governor's Budget. The Governor's Budget proposes \$1,635,000 General Fund to support 21.2 existing positions in the agricultural waiver program.

Staff Recommendation. Staff recommends that the Subcommittee approve the Governor's budget proposal.

3960 Department of Toxic Substances Control

Background. The Department of Toxic Substances Control (DTSC) regulates hazardous waste management, cleans up or oversees the cleanup of contaminated hazardous waste sites, and promotes the reduction of hazardous waste generation. The department is funded by fees paid by persons that generate, transport, store, treat, or dispose of hazardous wastes; environmental fees levied on most corporations; the General Fund; and federal funds.

Governor's Budget. The Governor's Budget proposes \$144 million to support the DTSC in 2007-08. This is 2.5 percent less than estimated expenditures in the current year. This reduction is due to a decrease in General Fund appropriations.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Site Mitigation and Brownfields Reuse	\$ 102,137	\$ 106,047	\$ 3,910	3.8
Hazardous Waste Management	66,999	65,711	-1,288	-1.9
Science, Pollution Prevention, and Technology	10,593	11,178	585	5.5
State as Certified Unified Program Agency	1,199	1,271	72	6
Capital Outlay	3,963	0	-3,963	-100
Administration	31,475	33,217	1,742	5.5
<i>less distributed administration</i>	<i>-31,475</i>	<i>-33,217</i>	<i>-1,742</i>	<i>5.5</i>
Total	\$ 184,891	\$ 184,207	-\$684	-0.4
Funding Source				
General Fund	\$ 32,453	\$ 25,321	-\$7,132	-21.9
Special Funds	115,480	118,953	3,473	3
<i>Budget Act Total</i>	<i>147,933</i>	<i>144,274</i>	<i>-3,659</i>	<i>-2.5</i>
Federal Funds	26,567	27,801	1,234	4.6
Reimbursements	10,391	10,632	241	2.3
Stringfellow Insurance Proceeds Account	0	1,500	1,500	100
Total	\$ 184,891	\$ 184,207	-\$684	-0.4

1. Biomonitoring

Background. Scientific studies have identified a multitude of environmental chemicals as toxic to humans, but with few exceptions, relatively little is known about the presence of these chemicals inside people's bodies. Increases in breast and brain cancer, infertility, asthma, autism and other developmental diseases have heightened public concern about potential effects of environmental exposures. Some chronic diseases have been linked with exposure to synthetic chemicals, including a variety of common chemicals that can mimic or block actions of hormones necessary for growth and maintenance of health.

SB 1379 (Perata, 2006) establishes the California Environmental Contaminant Biomonitoring Program (CECBP) to systematically collect, analyze, and archive blood and other human biological specimens from a statistically valid representative sample of California's general population. The CECBP will be undertaken by the Department of Public Health, the Department of Toxic Substances Control (DTSC), and the Office of Environmental Health Hazard Assessment.

The CECBP will be used to:

- Determine baseline levels of environmental contaminants in Californians' blood and other human biological samples.
- Establish trends in the levels of these contaminants in people over time.
- Assess the effectiveness of public health efforts and regulatory programs to reduce exposures of Californians to specific chemical contaminants.

The CECBP will coordinate with the Center for Disease Control's biomonitoring program to the greatest extent possible. The Center for Disease Control has two decades of experience in designing and implementing similar sampling and data collection and management protocols in the National Health and Nutrition Examination Survey. The findings of the national and California programs will be compared.

The role of the three departments during the first year will be to:

- Develop a detailed outline of the study designs and plans for participant recruitment.
- Prepare draft versions of participant questionnaires.
- Appointment of the Scientific Guidance Panel.
- Hold an initial meeting of the Scientific Guidance Panel, supported by relevant documents, including a candidate chemical list for evaluation.

Governor's Budget. The Governor's Budget proposes \$123,000 from the General Fund for one permanent position to begin the planning process that will develop the California Environmental Contaminant Biomonitoring Program.

Previous Subcommittee Action. On April 23 the Subcommittee augmented the Governor's Budget with \$437,000 for a total of four positions and equipment.

Staff Recommendation. Staff recommends that the Subcommittee decrease its previous action by two positions (leaving a Research Scientist I and Research Scientist II). Staff also

recommends that the Subcommittee increase its previous action on equipment funding by \$1 million, for a total of \$1.2 million for equipment. With Subcommittee approval the total biomonitoring funding for the Department of Toxic Substances Control would be \$1,569,000.

3980 Office of Environmental Health Hazard Assessment

Background. The Office of Environmental Health Hazard Assessment (OEHHA) identifies and quantifies the health risks of chemicals in the environment. It provides these assessments, along with its recommendations for pollutant standards and health and safety regulations, to the boards and departments in the California Environmental Protection Agency and to other state and local agencies. The OEHHA also provides scientific support to environmental regulatory agencies.

Governor's Budget. The Governor's Budget proposes \$14 million to support the OEHHA in the budget year. This is a slight increase in funding from the estimated expenditures in the current year due to new budget proposals. General Fund support for the OEHHA remains relatively unchanged in the budget year.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Health Risk Assessment	\$ 17,072	\$ 17,459	\$ 387	2.3
Administration	3,263	3,266	3	0.1
<i>less distributed administration</i>	<i>-3,263</i>	<i>-3,266</i>	<i>-3</i>	<i>0.1</i>
Total	\$ 17,072	\$ 17,459	\$ 387	2.3
Funding Source				
General Fund	\$ 8,782	\$ 8,933	\$ 151	1.7
Special Funds	6,040	6,250	210	3.5
<i>Budget Act Total</i>	<i>14,822</i>	<i>15,183</i>	<i>361</i>	<i>2.4</i>
Federal Trust Fund	500	514	14	2.8
Reimbursements	1,749	1,762	13	0.7
Total	\$ 17,071	\$ 17,459	\$ 388	2.3

1. Biomonitoring

Background. Scientific studies have identified a multitude of environmental chemicals as toxic to humans, but with few exceptions, relatively little is known about the presence of these chemicals inside people's bodies. Increases in breast and brain cancer, infertility, asthma, autism and other developmental diseases have heightened public concern about potential effects of environmental exposures. Some chronic diseases have been linked with exposures to synthetic

chemicals, including a variety of common chemicals that can mimic or block actions of hormones necessary for growth and maintenance of health.

SB 1379 (Perata, 2006) establishes the California Environmental Contaminant Biomonitoring Program (CECBP) to systematically collect, analyze, and archive blood and other human biological specimens from a statistically valid representative sample of California's general population. The CECBP will be undertaken by the Department of Public Health, the Department of Toxic Substances Control, and the Office of Environmental Health Hazard Assessment.

The CECBP will be used to:

- Determine baseline levels of environmental contaminants in Californians' blood and other human biological samples.
- Establish trends in the levels of these contaminants in people over time.
- Assess the effectiveness of public health efforts and regulatory programs to reduce exposures of Californians to specific chemical contaminants.

The CECBP will coordinate with the Center for Disease Control's biomonitoring program to the greatest extent possible. The Center for Disease Control has two decades of experience in designing and implementing similar sampling and data collection and management protocols in the National Health and Nutrition Examination Survey. The findings of the national and California programs will be compared.

The role of the three departments during the first year will be to:

- Develop a detailed outline of the study designs and plans for participant recruitment.
- Prepare draft versions of participant questionnaires.
- Appointment of the Scientific Guidance Panel.
- Hold an initial meeting of the Scientific Guidance Panel, supported by relevant documents, including a candidate chemical list for evaluation.

Governor's Budget. The Governor's Budget proposes \$167,000 General Fund for 2.8 positions to plan for the implementation of SB 1379. The funds requested for 2008-09 are \$434,000, as the program expands.

Previous Subcommittee Action. On April 23 the Subcommittee approves the Governor's Budget proposal.

Staff Recommendation. Staff recommends that the Subcommittee augment the Governor's Proposal by \$213,000 for 0.2 positions and increased funding for meetings. With the Subcommittee's approval the total funding for the Office of Environmental Health Hazard Assessment would be \$380,000.

8570 Department of Food and Agriculture

Background. The California Department of Food and Agriculture (CDFA) provides services to both producers and consumers of California's agricultural products in the areas of agricultural protection, agricultural marketing, and support to local fairs. The purpose of the agricultural protection program is to prevent the introduction and establishment of serious plant and animal pests and diseases. The agricultural marketing program promotes California's agricultural products and protects consumers and producers through the enforcement of measurements, standards, and fair pricing practices. Finally, the department provides financial and administrative assistance to county and district fairs.

Governor's Budget. The Governor's Budget proposes \$242 million to support CDFA in 2007-08. This is approximately \$9 million less than the level of expenditures estimated in the current year. This decrease is primarily due to a reduction in special funds.

Summary of Expenditures

(dollars in thousands)

	2006-07	2007-08	\$ Change	% Change
Type of Expenditure				
Agricultural Plant and Animal Health, Pest Prevention, and Food Safety Services	\$ 172,586	\$ 160,947	- \$ 11,639	-6.7
Marketing and Commodity and Agricultural Services	68,736	58,993	-9,743	-14.2
Assistance to Fair and County Agricultural Activities	60,817	26,621	-34,196	-56.2
General Agricultural Activities	-	43,149	43,149	100.0
Capital Outlay	24,395	3,611	-20,784	-85.2
Administration	14,561	14,029	-532	-3.7
<i>less distributed administration</i>	<i>-13,376</i>	<i>-12,826</i>	<i>550</i>	<i>-4.1</i>
Total	\$ 327,719	\$ 294,524	-\$33,195	-10.1

Funding Source

General Fund	\$ 101,699	\$ 99,261	-\$2,438	-2.4
Special Funds	148,529	141,955	-6,574	-4.4
Bond Funds	1,180	1,178	-2	-0.2
<i>Budget Act Total</i>	<i>\$251,408</i>	<i>\$242,394</i>	<i>-\$9,014</i>	<i>-3.6</i>
Federal Trust Fund	42,779	38,762	-4,017	-9.4
Public Building Construction Fund	18,356	-	-18,356	-100.0
Harbors and Watercraft Revolving Fund	1,296	1,336	40	3.1
Reimbursements	13,879	12,032	-1,847	-13.3
Total	\$ 327,718	\$ 294,524	-\$33,194	-10.1

1. Hydrogen Purity and Performance Standards

Background. SB 76, Chapter 91, Statutes of 2005 requires the California Department of Food and Agriculture (CDFA), with the Air Resources Board, by January 1, 2008, to establish specifications for hydrogen fuels used in internal combustion engines and fuel cells. SB 76 also places the responsibility on CDFA for the sampling, testing, and enforcement action against distributors and sellers of non-compliant hydrogen fuels.

Based on the small number and geographic location of the existing hydrogen fuel sites, the CDFA is able to absorb workload related to sampling, testing, and enforcement without new positions.

Governor's Budget. The Governor's Budget proposes \$212,000 (\$53,000 on-going) from the Agriculture Account for laboratory equipment and supplies for the standardized sampling and testing of hydrogen fuel.

Previous Subcommittee Action. On April 23, the Subcommittee approved the budget proposal.

Staff Recommendation. Staff recommends that the Subcommittee reject the budget proposal and instead direct the funds towards border inspection stations.

2. Border Inspection Stations

Background. The Department of Food and Agriculture has 16 border inspection stations. These stations inspect for pests being transported on vehicles and boats into California. In 2003, due to budget cuts, the agricultural inspection stations stopped inspecting private vehicles. Today the agricultural inspection stations only inspect commercial vehicles. Only the Needles inspection station has a pilot project to inspect private vehicles, which was started in 2006.

Governor's Budget. The Governor's Budget includes approximately \$48 million for the Department of Food and Agriculture's Plant Health and Pest Prevention Services (PHPPS) Division. The PHPPS is in charge of pest eradication efforts.

Staff Analysis. The state addresses new pests that pose a treat to agriculture on a pest-by-pest basis. However, many of these pests travel in vehicles across California's borders. If the vehicles were inspected with greater frequency at the border station, the number of high-risk pests entering the state may be reduced. Border inspection stations are a cost-effective means of pest-control. The department has estimated that to increase vehicle inspections at all 16 border stations to include all types of vehicles 24/7 would cost an additional \$8.3 million annually.

Staff Proposal. Staff recommends that the Subcommittee take \$212,000 from the Agriculture Account and redirect \$1.8 million General Fund from current pest prevention activities to expand private vehicle inspections at the border stations. This would be the first step in increasing border inspection station operations.

8660 Public Utilities Commission

Background. The California Public Utilities Commission (CPUC) is responsible for the regulation of privately owned "public utilities," such as gas, electric, telephone, and railroad corporations, as well as certain video providers and passenger and household goods carriers. The commission's primary objective is to ensure adequate facilities and services for the public at equitable and reasonable rates. The commission also promotes energy conservation through its various regulatory decisions.

Governor's Budget. The Governor's Budget proposes \$1.2 billion to support the CPUC in the budget year. This is approximately the same level of funding as is estimated for expenditure in the current year. The commission does not receive any General Fund support.

Summary of Expenditures				
<i>(dollars in thousands)</i>	2006-07	2007-08	\$ Change	% Change
Type Expenditure				
Regulation of Utilities	\$ 375,297	\$ 381,501	\$ 6,204	1.6
Universal Service Telephone Programs	897,408	884,615	-12,793	-1.4
Regulation of Transportation Administration	18,637	20,458	1,821	9.7
	21,781	26,247	4,466	20.5
<i>less distributed administration</i>	<i>-21,781</i>	<i>-26,247</i>	<i>-4,466</i>	<i>20.5</i>
Total	\$ 1,291,342	\$ 1,286,574	-\$4,768	-0.4
Funding Source				
General Fund	\$0	\$0	\$0	0
Special Funds	1,277,329	1,269,575	-7,754	-0.6
<i>Budget Act Total</i>	<i>1,277,329</i>	<i>1,269,575</i>	<i>-7,754</i>	<i>-0.6</i>
Federal Funds	1,209	1,702	493	40.8
Reimbursements	12,786	15,297	2,511	19.6
Total	\$ 1,291,324	\$ 1,286,574	-\$4,750	-0.4

1. Budget Bill Provisional Language: California Teleconnect Fund

Background. Public Utilities Code 280 requires the establishment of the California Teleconnect Fund program to provide discounted services to qualifying schools, libraries, hospitals and

community-based organizations. For the last two years, the claims against the fund have exceeded revenues.

Proposed Language.

Notwithstanding any other provision of law, upon request of the Public Utilities Commission, the Department of Finance may augment the amount available for expenditure in this item to pay claims made to the California Teleconnect Fund Administrative Committee Fund Program. The augmentation may be made no sooner than 30 days after notification in writing of the committee in each house of the Legislature that considers appropriations and the Chairperson of the Joint Legislative Budget Committee. The amount of funds augmented pursuant to the authority of this provision shall be consistent with the amount approved by the Department of Finance based on its review of the amount of claims received by the Public Utilities Commission from telecommunication's carriers.

Staff Recommendation. Staff recommends the Subcommittee reject the budget proposal.

2. Increase Staff to Form a Federally Funded Critical Infrastructure Security Team to Protect California Infrastructure and Key Resources

Background. June 2006, the United States Department of Homeland Security (USDHS) released the National Infrastructure Protection Plan (NIPP). NIPP sets national priorities, goals, and requirements to effectively distribute funding and resources in the event of a terrorist attack or other disaster.

The PUC wants to create a Critical Infrastructure Security team within its Consumer Protection Division. This team would be responsible for ensuring that California utilities, railroads, and rail transit properties are equitably included in the plan. The NIPP does point out that state public utilities commissions are generally well-placed to handle these responsibilities.

Governor's Budget. The Governor's Budget proposes \$500,000 in Federal Trust Fund for four permanent positions to staff a new critical infrastructure security team.

LAO Recommendation. The LAO finds the proposed duties of the new branch are often very broad, typically vague, and lacking a clear purpose. The PUC has stated that municipal utilities, currently not regulated by the PUC, would be included in this program. The inclusion of municipal utilities is an expansion of authority for the commission.

The LAO also finds that the federal funding proposed to support this new program is highly uncertain. According to the PUC, there is no certainty that federal funds will be allocated to this effort, and those federal funds the PUC has identified as potentially available may require matching state funds. Given the uncertainty of federal funding, the lack of clear duties, and an

apparent expansion of the commission's jurisdiction without statutory authorization—the LAO recommends the Legislature deny the request.

Staff Analysis. Staff has requested information from the PUC as to how the department will work with the Department of Homeland Security so as not to duplicate tasks and act with the greatest efficiency possible in time of crisis. The PUC has indicated that it is in the process of drafting a memorandum of understanding (MOU) with the Department of Homeland Security, but that the MOU is not complete. Staff recommends holding this item open to give the PUC more time to respond to these questions.

Staff Recommendation. Staff recommends that the Subcommittee approve one Associate Transportation Operations Supervisor position from the Public Transit Account.

CALFED

1. CALFED Surface Storage Program

Background. The CALFED Record of Decision (ROD) identifies surface storage as an objective and specifies five potential surface storage projects. These projects are North-of-the-Delta Offstream Storage, Los Vaqueros Reservoir Expansion, Upper San Joaquin River Basin Storage Investigation, Shasta Lake Enlargement, and In-Delta Storage. The CALFED Storage Program is intended to improve water supply reliability by capturing water during wet years and releasing it into the rivers in dry years.

To date, CALFED has spent about \$118 million from bond funds and General Fund for surface water storage studies. Proposition 50 (Water Security, Clean Drinking Water, Coastal and Beach Protection Fund of 2002) provided \$50 million in general obligation bond funds for surface water storage planning and feasibility studies. Approximately \$46 million of the available Proposition 50 bond funds has been expended so far. In addition to the bond fund expenditures, since 2000-01 the Legislature has appropriated General Fund for the Integrated Storage Investigation Program.

The current schedule for completing the feasibility studies and environmental documentation for the Los Vaqueros Reservoir Expansion, the Upper San Joaquin River Storage, and North-of-the-Delta Offstream Storage is between Fall 2008 and Summer 2009, if continued funding is received.

Once the proposed feasibility studies are complete, the program will lead to capital outlay projects already included in the Department of Water Resources 5-Year Capital Outlay Plan. If a capital outlay project proceeds to final design and construction, the local water agencies will cost share in the project's capital outlay costs.

Governor's Budget. The Governor's Budget proposes \$3.76 million in Proposition 50 bond funds to support 20.7 existing personnel years to continue feasibility studies and environmental documentation for three potential surface storage projects. The use of the funds would be as follows:

- \$492,000 for Common Assumptions – continue engineering feasibility studies and environmental studies and documentation.
- \$1,228,000 for North-of-the-Delta Offstream Storage – continue the feasibility study for the Sites Reservoir.
- \$1,000,000 for Los Vaqueros Reservoir Expansion – continue environmental review and engineering and economic feasibility studies.
- \$1,000,000 for Upper San Joaquin River Storage – enlarge Millerton Lake at Friant Dam.

This money is being requested through the Department of Water Resources. No new positions are being requested.

LAO Recommendation. The LAO finds that the CALFED surface storage program has reached a point where these feasibility studies cannot practically move forward unless non-state entities – parties who would benefit from the projects being studied – step up to the plate and share in the costs of studying and developing these projects. LAO recommends the Legislature deny the budget request for surface storage studies.

Staff Recommendation. Staff recommends that the Subcommittee reject the budget proposal.